دار الشروق

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NEWS SUMMARY

GENERAL

Gunmen at funeral bring discord

Paramilitary gunmen fired the traditional volley of shots over *the coffin of IRA hunger* striker Kevin Lynch, defying family wishes. In protest, Fr Jack Quinn refused to wear ceremonial vestments to conduct *the Londonderry funeral*.

Supporters of the fast may force a second by-election in the Irish Republic by Maze prisoner *Paddy Agnew resigning* his seat.

The death on Sunday of Kieran Doherty, also a member of the Dail, is likely to reduce Prime Minister Garret Fitz-Gerald's majority. Page 6

Driver PC found

A Merseyside constable was interviewed after being identified as the driver of a police vehicle which killed a disabled *man during the Toxteth riots.* **Lessons for Heseltine. Page 6**

Tanker aground

Greek-owned supertanker Melpo Lemos, partially laden with oil, ran aground at Leep Beach near Southampton.

Ferry rescue

About 400 holidaymakers were rowed to shore when their ferry struck a submerged object off Port Eynon, South Wales. An elderly man died after landing.

Simpler bills

National Savings Bank account holders will from next week be able to settle bills at post offices without drawing the cash. **Back Page**

Nature power

Renewable energy sources using the sun, wind and tides could by early next century provide the UK with power *equal to 40m tonnes of coal* a year, a Government report says. **Back Page**

Bolivia upheaval

Two Bolivian generals declared a "national dignity government" and demanded President *Luis Garcia Meza's resignation*. Page 4

Soviet armada

Soviet naval forces, bringing together units from its four fleets for the first time, gathered for manoeuvres in the Baltic.

Embassy held

Left-wing Iranian students stormed and occupied Iran's embassy in Bonn, wrecking offices. About 110 were arrested.

Arms sentence

An Iraqi caught smuggling arms into Austria was given a nine-month suspended sentence. His alleged PLO links led to its *representative being asked to* leave.

Aide still ill

White House press secretary James Brady, shot along with President Reagan in March and still in hospital, suffered a serious seizure.

Eventual revenge

Sicilian pensioner Francesco Falzone, 74, shot dead his son-in-law, who had murdered his daughter on the first day of their marriage 31 years ago.

Marsh 'punch-up'

Australian wicketkeeper Rodney Marsh is alleged to have punched a freelance journalist *who gave the team the thumbs* down sign after their Test defeat.

Briefly . . .

Bomb in a Cairo Coptic church killed three.

Forest fires razed thousands of acres in Greece.

Parents of five from Royston, Herts, were remanded on a *heroin import charge*.

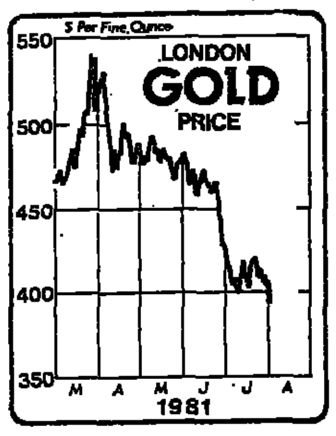
BUSINESS

Big fall for gold; gilts off by 0.63

● **DOLLAR** continued to improve. It closed at FFr 6.0050 (FFr 5.8700), its best since the introduction of the new franc in 1960, DM 2.5260 (DM 2.4720), SwFr 2.1970 (SwFr 2.1460) and Y245.40 (Y240.30). Its trade weighted index was 114.8 (112.8). Page 22

● **STERLING** shed 4.1c to $1.8005, its lowest close since October 1977. It eased to DM 4.5500 (DM 4.5550), and FFr 10.8050 (FFr 10.8075) but rose to SwFr 3.9575 (SwFr 3.9550). Its trade weighted index was *91.5 (92.0). Page 22*

● **GOLD** fell $14 to $392 in London, its lowest level since November 1979. In New York the Comex August close was *$388.5. Page 22*



● **GILTS** weakened in the face of sterling's continued fall against the dollar. The Government Securities Index lost *0.63* to 63.85. Page 28

● **EQUITIES** reflected the reaction in gilts. The FT 30-share index edged up 0.2 to 528.3. Page 28

● **WALL STREET** was down 7.23 to 945.11 near the close. Page 26

● **U.S. AND SOVIET** delegations began discussing a new five-year pact on American grain sales to Moscow but U.S. officials said there would be no quick accord. **Page 4**

● **ROMANIA** has asked the Soviet Union for increased oil and gas deliveries in a significant shift of economic policy. **Page 4**

● **U.S. EXPORT-IMPORT** Bank said the U.S., UK, Germany and France had agreed new guidelines for financing exports of some commercial jet aircraft. **Back Page**

● **BOEING**, the U.S. jet airliner manufacturer, today rolls out the first of its twin-engined, short-to-medium range 767s. **Page 4**

● **BELGIAN GOVERNMENT** is to guarantee a commercial loan of BFr 5.2bn (£69.6m) to its steel industry. **Page 23**

● **STOCK EXCHANGE** will continue to press for legislation in this Parliament to replace the Prevention of Fraud (Investments) Act, controlling licensed dealers in securities. **Page 5**

● **MOBIL** raised its bid for Conoco from $105 a share to $115 (£63.87) for just over 50 per cent of the company. **Page 23**

● **EUROPEAN FERRIES** will have to wait until November to learn if the Government will allow it to proceed with its intended bid for state-owned Sealink. **Page 5**

● **HAWLEY LEISURE** is paying $23.6m (£13m) for Electro-Protective Corporation of America, security services group. **Page 21**

● *JIM RAPER*, the Far East financier, has rejoined the board of Saint Piran, mining and property group. **Back Page**

● **STANDARD TELEPHONES and Cables** reported pre-tax profits down from £22.8m to £19.1m for the 25 weeks to June 21. **Page 20; Lex, Back Page**

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES:			FALLS / RISES:		
Arbuthnot Latham..	295	+ 8	Regional Prop. 'A'	163	+ 5
Automated Security	373	+ 3	Ward (T. W.).........	136	+ 13
Carpets Int.	33½	+ 2½	Wettern Brothers ...	80	+ 5
Clifford's Dairies 'A'	124	+ 5	Whessoe	121	+ 5
Fortnum and Mason	900	+ 90	*Anglo-Vaal*	£20	+ 1
Gresham House ...	310	+ 20	Patino	£24½	+ ½
Grindlays Bank ...	240	+ 12	**FALLS:**		
Hillards	310	+ 10	Exchequer 12½pc '90	£88½	− 1
Hong Leung Credit	395	+ 80	IMI	58	− 4
Mercantile House	465xa	+ 25	*Slough Estates*	137	− 5
Owen Owen	242	+ 9	Standard Telephones	420	− 42
Preedy (A.)	65	+ 5	Telephone Rentals	383	− 17
			Gold Fields S.A. ...	£38½	− ½

Sackings ultimatum as flights crippled by U.S. air control strike

BY REGINALD DALE IN WASHINGTON AND LYNTON McLAIN IN LONDON

PRESIDENT REAGAN last night threatened to sack *America's striking air traffic* controllers if they did not return to work within 48 hours.

In Britain and northern Europe, passengers trying to fly to the East Coast of the U.S. experienced delays of up to nine hours, according to the UK Civil Aviation Authority. Flights from southern Europe faced even further delays.

As the Attorney-General threatened to seek jail sentences over the action, military staff were called in to maintain some services in the U.S., but almost half of the country's 14,000 daily commercial flights were grounded.

Union leaders claimed their strike call was answered by 80 to 90 per cent of their members, despite a last-minute court order. As federal employees the controllers are not allowed to strike.

President Reagan has hurled every weapon in his legal armoury against the Professional Air Traffic Controllers' Organisation.

He ordered court actions to impound the union's $3.5m strike fund, to prevent the union from officially representing the controllers, and laid contempt charges *against* the union for its defiance of the court order banning the stoppage.

Mr Drew Lewis, the Transportation Secretary, *said the* Government would seek remedies in the civil and criminal courts—"probably more civil than criminal."

Mr William French Smith, the Attorney General, added that the Government would press for jail sentences "in appropriate cases."

Mr Reagan's tough line could antagonise trade unionists across the country. Washington is convinced, however, that public opinion is not behind the strikers, who earn up to $50,000 a year.

The union's demands—which Mr Lewis called "outrageous"—would add some $500m to the annual wage bill.

The Administration believes the real cost of agreeing to the *controllers' claim could be even* higher and it is offering a package of $40m which they can distribute any way they wish.

The U.S. Federal Aviation Administration said it aimed to maintain 50 per cent of international flights and journeys over 500 miles, cutting back severely on *short-haul flights.*

About 150 military controllers have been called in to keep air traffic moving and the number could be increased to 700 or 800. They are working alongside the 1,500 non-union controllers in the country's 500 airports and 23 radar centres.

In Britain, the CAA took immediate action to cut the volume of air traffic bound for the U.S. from Europe.

It brought into action its "departure flow regulator cell," at the London Air Traffic Control Centre at West Drayton. The flow regulator limits the *number of aircraft* allowed in the air at any one moment.

All flights already airborne when the strike started were assured of a safe, controlled landing across the Atlantic, even if this meant aircraft had to land in Canada.

All U.S. bound flights left Gatwick Airport, *London*, as usual yesterday. The British Airports Authority there said there was little precise information about the strike.

Queues of people wanting stand-by tickets to the U.S. were no longer than usual, but potential passengers were asked to telephone their airlines before leaving home for the airport.

At Heathrow Airport, London, 80 passengers camped on *chairs and on the floor to be* first in the queue for stand-by tickets yesterday. Many were Americans ending a holiday in Britain. Others were British holidaymakers heading for Florida and California.

Phibro to take over Salomon in deal worth about $550m

BY DAVID LASCELLES IN NEW YORK

SALOMON BROTHERS, one of the best-known securities houses *on Wall Street and the largest* still in private hands, is to be taken over in a deal worth about $550m (£305m).

Phibro, the New York-based commodities trading company which ranks among the world's largest dealers in raw materials, is to acquire the house.

The deal was one of Wall Street's best-kept secrets. Yesterday's news came as a surprise to a financial community embroiled in a record wave of mergers and takeovers. Observers were however quick to spot the logic of a deal which brings together one of the world's leading traders in financial assets with a giant dealer in commodities.

The combination will result *in a firm with capital of about* $1.5bn. This is more than the $1.1bn of Merrill Lynch, the largest firm on Wall Street, but it was not clear yesterday whether the new merged entity would qualify for ranking as a Wall Street institution because Phibro is not an officially recognised financial securities firm.

Mr David Tendler, Phibro chairman, said: "The combined talents of Phibro and Salomon Brothers will enable each firm to better serve its clients. We will be the world's leading merchant banker."

TOP U.S. STOCKBROKERS	Assets ($m)
Merrill Lynch	1,065
Shearson Loeb Rhoades	470
E. F. Hutton Group	448
Salomon Bros.	331*
Paine Webber	243

* Figure to Sept. 26, 1980.

Mr John Gutfreund, Salomons' managing partner, said: "We are on the threshold of major changes in Wall Street. This combination places us in *the most prominent and competitive position for the changing world of the 1980s.*"

Under the deal's terms Salomons's 63 partners will be paid $250m in Phibro securities. The partnership will be liquidated and they will extract the approximately $300m capital they have invested in it. Phibro will then replace this capital, bringing its total outlay to about $550m.

Senior executives from the two firms will form a joint management but Phibro and *Salomons will continue to* operate as autonomous companies for the time being. A new name incorporating the identities of the two firms will be devised later.

This is the third major deal this year involving a merger with an outsider as Wall Street *firms position themselves in the* fast-changing financial-services industry. The Prudential-Bache and American Express-Shearson tie-ups created new entities in the retail business. Phibro-Salomon will provide financial services to the corporate, institutional and government markets.

The merger, to take effect on October 1, evidently aims at preserving the particular strengths of the two firms. Salomon yesterday emphasised the world-wide trading operations of the two concerns.

Phibro has an annual turnover of about $24bn in commodity trading. It conducts operations involving 150 raw materials and has links with nearly every country in the world.

Men and Matters, Page 18
Salomon-Phibro powerhouse, Page 23

Rail strike looms as talks fail

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE threat of a national rail strike loomed last night after pay talks between British Rail and the rail unions broke down.

The major rail unions' executives will meet today to discuss a national strike. Mr Ray Buckton, the train drivers' leader, said he was "convinced" there would be a strike unless British Rail changed its mind. Mr Sid Weighell, the NUR leader, said he "would not bet on there not being a strike."

Earlier BR had put forward a revision to its previous offer of 8 per cent followed by 3 per cent when the unions had moved towards substantial productivity improvements.

The general secretaries and presidents of the three unions convened separate meetings after about three hours of talks with senior board members to examine the revised proposals in detail.

The three unions had earlier lined up behind a common front in pressing for full implementation of the rail tribunal award of 11 per cent, regardless of productivity.

Proposals on increased efficiency from Mr Sid Weighell, *general secretary of the National* Union of Railwaymen, had been turned down by his own executive, which insisted on full implementation of the award.

The train drivers' union, Aslef, has taken the most determined stand against productivity, arguing that substantial extra efficiency had already been achieved which should be recognised by payment of the full award.

BR's offer was for 8 per cent from April 20, with a further 3 per cent from a date to be determined once progress on efficiency had been made.

The unions have threatened *industrial action if the full* award is not made.

Ambulancemen accept 7.5 per cent, Page 7

£ in New York

	July 31	Previous
Spot	$1.8340-8360	$1.8615-8655
1 month	0.88-0.95 pm	0.75-0.82 pm
3 months	1.90-2.00 pm	2.05-2.15 pm
12 months	5.10-5.30 pm	5.30-5.50 pm

STERLING DROPS 4.1 CENTS TO $1.8005

Dollar sharply higher

BY KEVIN DONE IN FRANKFURT AND WILLIAM HALL IN LONDON

THE DOLLAR jumped sharply *against all major currencies in* European foreign exchange markets yesterday. It closed above DM 2.50 for the first time in nearly five years and exceeded *FFr 6.0 for the first time* since the new franc was introduced more than 20 years ago.

The D-Mark slumped over 5 pfennigs to close at DM 2.5260, the lowest level of the day. Tension in Poland and the build-up of Soviet naval units in the Baltic were said to have contributed to its weakness.

The franc closed at FFr 6.0050, compared with last Friday's level of FFr 5.87.

Sterling also fell sharply *against the dollar* and briefly dipped below $1.80 before closing at $1.8005, a fall of 4.1 cents on the day.

The pound's performance *against the Continental currencies* was mixed. It rose against the Swiss franc and fell slightly against the D-Mark. The Bank of England's trade-weighted index for the pound, measuring its average value against other currencies, fell to 91.5 from 92.0.

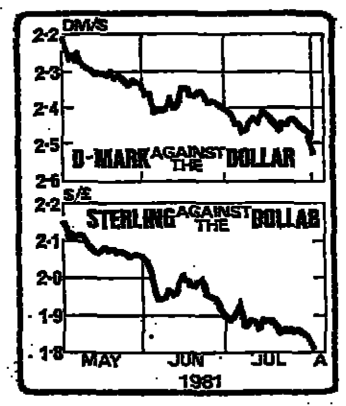
The dollar's index rose from 112.8 to 114.8.

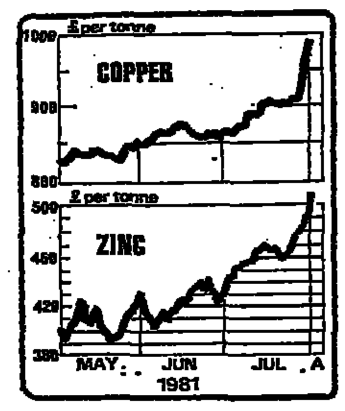
The Swiss franc fell to its lowest level against the dollar since October 1977. The dollar temporarily rose above SwFr 2.20 before closing at SwFr 2.197, which compares with SwFr 2.146 at Friday's *close.*

The dollar also moved ahead strongly against the yen, rising from Y240.30 to Y245.40.

Gold fell $14 to $392 an ounce while the fall in sterling brought an upsurge in base metal prices.

There was evidence that European central *banks, in* particular the West Germans, were intervening fairly heavily *to support their currencies.* The Bundesbank intervened officially at the fixing to sell $87.3m and was also reported unofficially in the market supporting the D-mark.





The upsurge in the dollar's value against other currencies began overnight in the Far East *and continued as soon as* Europe's foreign exchange markets opened yesterday morning.

Dealers attributed the strength of the U.S. currency to several factors.

The main influence on the market is the continued high *level of U.S. interest rates*, and fears are growing that any fall is going to take longer than expected to happen.

Some foreign exchange dealers last night saw a sharp change in market expectations. The combination of heavy borrowing by the U.S. Treasury and growing disenchantment about President Reagan's budget strategy is leading to a belief that interest rates will *have to remain high for much* longer than expected a few weeks ago.

Although sterling remained on the sidelines yesterday and domestic money market rates showed little movement, the continued weakness of the UK currency and the strength of U.S. interest rates will add to the nervousness that the next move in UK base rates will be upwards.

John Edwards writes: As the pound fell yesterday, copper rose above £1,000 for the first time since April last year, with *the* three-months wirebars quotation gaining £22.25 to £1,012 a tonne.

Zinc values on the London Metal Exchanges rose strongly, reaching the highest level for seven years. Cash zinc closed £14.5 up at £508 a tonne. The rise in zinc was accelerated by *news of U.S. producers putting* up their domestic prices, triggering forecasts that the European producer price is likely to be raised from its present level of $925 a tonne.

Lead followed the rise in

Continued on Back Page
Money Markers, Page 22
Commodities, Page 27
Lex, Back Page

Thatcher to 'clarify' situation

BY IVOR OWEN

MORE EVIDENCE of the disarray in the Cabinet, and among leading Conservative MPs, over Government economic policy emerged yesterday when the Prime Minister agreed to meet Sir William Clark, chairman of *the party's back bench Finance* Committee, to clarify the situation.

Mr Peter Shore, Labour's Shadow Chancellor, added to the Government's growing embarrassment by writing to Mrs Thatcher in her capacity as First Lord of the Treasury, and senior economics *minister*, calling on her to state "the Government's official and considered view of the present state of the economy."

No other Conservative Government has handed its opponents such damaging ammunition at a time when politics normally enter the close season marked by the start of the long Parliamentary recess. And Mr Shore gleefully suggested that Sir Geoffrey Howe, Chancellor of the Exchequer, was no longer able to exert the authority of his office.

This is understood to be one *aspect of the situation which* Sir William, who has used his position as chairman of the influential back bench committee to give unwavering support to the Chancellor, wishes to discuss with the Prime Minister.

Several leading Government supporters have reacted angrily to the weekend statement by Lord Thorneycroft, party chairman, openly disputing the Chancellor's *end of term report* to the Commons that "we are now at the end of the recession."

Sir William, who is expected to meet the Prime Minister at 10 Downing Street on Thursday, has been urged by a number of senior Tory MPs to make it clear that the bulk of the parliamentary party believes that, if anyone's judgment is in doubt, it is that of Lord Thorneycroft, not the Chancellor.

Behind the angry recriminations *over Lord Thorneycroft's* statement lies the fear that the Chancellor is coming under increasing pressure from the so-called Cabinet "wets" to introduce a limited reflationary package in the autumn.

It is against this background that a number of Tory MPs are attaching significance to the fact that Treasury Ministers, including the Chancellor himself, have recently been going *out of their way to emphasise* that there is no likelihood of another Budget before the spring.

In his letter to the Prime Minister, Mr Shore argued that, as the Chancellor's view of the

Continued on Back Page

CONTENTS

For latest Share Index phone 01-246 8026

Domestic pressures put strain on Bonn's relations with U.S.

BY ROGER BOYES IN BONN

WESTERN SUMMIT conferences may be a celebration of alliance friendship, but the exhilaration soon disappears. Within weeks of the Ottawa meeting, the U.S. and West Germany are at loggerheads again, this time over the level of Bonn's defence spending.

West Germany announced last week that its defence budget would only rise by 4.2 per cent in 1982. With an anticipated inflation rate of about 4.5-5 per cent, defence spending will actually drop in real (inflation-adjusted) terms.

Mr Caspar Weinberger, U.S. Defence Secretary, has been shaking his head in mock despair, stressing that the West German example should not be followed by other North Atlantic Treaty Organisation countries.

Other U.S. officials have been critical of the linkage between high U.S. interest rates and the need for restraint in West German defence spending made by Chancellor Helmut Schmidt in presenting his across-the-board public spending cuts. Mr Arthur Burns, the U.S. ambassador, is expected to visit Herr Schmidt soon and explain Washington's discontent.

Sometimes U.S.-West German relations seem like a catalogue of irritations, and defence spending has frequently figured on the list. Yet, for all the fire and fury, the defence problem is relatively insignificant. It is, above all, a soluble problem: additional fuel costs will probably mean a supplementary defence budget next year, pushing up the overall level of spending.

Also, the West German case still holds good. Bonn, for many years, has come very close to achieving the 3 per cent inflation-adjusted rise in defence spending set as a Nato target in 1978. The U.S. record, by contrast, has been rather patchy recently.

There are more fundamental problems in the relationship at present, problems that reflect an actual difference in perception rather than figure-juggling. The most prominent example is the proposed pipeline linking Soviet gas deposits with Western Europe and especially with West Germany.

The U.S. is worried about West Germany becoming excessively dependent on Soviet energy, whereas Bonn stresses that it needs the gas to secure its economic welfare. The underlying question is thus: is East-West trade a stabilising factor in international affairs (as Bonn believes) or is it potent blackmail weapon in the hands of the Kremlin (as parts of the U.S. Administration believe?)

Washington is looking at alternative plans that would reduce West German dependence on Soviet gas and a West German think tank—the Deutsche Gesellschaft fuer Auswaertige Politik—has also recently produced a report. This, while supporting the deal, recommends the establishment of gas storage centres, the cultivation of alternative gas supplies such as the the Netherlands (should Moscow turn off the gas tap) and the integration of Britain into the European gas network.

Even if the pipeline conflict is solved to the satisfaction of the White House, however, the radically differing perspectives on East-West trade remain. Many of the present differences, such as those on high U.S. interest rates or on the focus of development aid policy, are not specific to West Germany. But West Germany is often the most seriously affected and its position is complicated by a need to draw closer to Washington in its foreign policy orientations.

The Polish troubles have frozen Bonn's *Ostpolitik*, the fall of President Valery Giscard d'Estaing has injected uncertainty into the Franco-German relationship, and the funds are drying up for ambitious aid programmes to countries such as Turkey.

That said, on a personal level contacts between West German and U.S. officials seem to be working out relatively smoothly, certainly much better than under President Carter. West German officials express satisfaction with the level of consultation on most issues and, while the Reagan response may be difficult to swallow, it is at least predictable.

This kind of technical harmony, however, has not communited itself to the rank and file of the Social Democratic Party, the main coalition partner. Above all, it is not shared by the peace movement which opposes the stationing of U.S. missiles in West Germany. That is one of the key factors in determining the level of the 1982 defence budget.

It would be difficult domestically to make deep cuts in social welfare spending and yet leave the defence budget untouched. While President Reagan can carry that out in the U.S., it would meet with extreme resistance in West Germany—resistance that, in the final analysis, would be more harmful to Bonn's image within the alliance than failing to meet the 3 per cent target.

Thus Bonn's tight room for manoeuvre in foreign affairs means that it needs the U.S. and the alliance as never before. Yet, at the same time, domestic pressure, both economic and political, means that Bonn is not able to make the kind of flag-waving promises of undying support for U.S. policy that the Reagan Administration would like to see. The West Germans think that Mr Alexander Haig, the U.S. Secretary of State, understands this, but it is not so sure about the rest of the Administration.

During the Carter Administration, one West German Social Democrat described the U.S. as a large, more or less friendly dog, which, in its tail wagging enthusiasm (for human rights, for example), would sometimes knock over previous West German vases. Now, in the Reagan era, the Bonn Government is trying to remove the remaining vases swiftly to safety.

Balsemao throws down gauntlet

By Diana Smith in Lisbon

THE PORTUGUESE Prime Minister, Sr Francisco Balsemao, has summoned a special meeting of his Social Democratic Party's political commission this Saturday to clarify his political standing. He will call at the meeting for an extraordinary party congress in September, at which he intends to face his challengers. He will then leave it to delegates either to give him a vote of confidence or elect one of his rivals — Sr Eurico de Melo, former Interior Minister, or Sr Cavaco Silva, the former Finance Minister — as party leader and Prime Minister.

By choosing this course, Sr Balsemao believes the challengers must face what they have evaded until now—full responsibility before the Social Democrat rank and file for their efforts to unsetle the Premier.

These efforts have been promoted energetically by a minority of Lisbon Social Democrats, while most of the party still appears to back Sr Balsemao.

The Social Democrat challengers —together with Sr Diogo Freitas do Amaral, leader of the Christian Democratic Party, a partner in the governing coalition—seem to favour a return to the pugnacious cabinet of the late Prime Minister Francisco Sa Carneiro. They also appear to want a ferocious adversary relationship with President Antonio Ramalho Eanes, that Sr Balsemao has avoided.

To try to pacify them, Sr. Balsemao offered them positions in a reshuffled cabinet that would make a marked shift to the right. They refused and continued to snipe at him.

At the weekend Sr Balsemao gave vent to his anger publicly on an official visit to the north of Portugal. Stating that he had run out of patience, he threatened those who dealt in "intrigue and indiscipline" with "whatever steps needed in the party and in the governing alliance."

Yesterday, he took the first step by calling for an extraordinary congress, after Sr Eurico de Melo in a radio interview described the Premier's weekend speech as "surrealistic" and accused him of "messianic ambitions for personal power."

French devolution clears first hurdle

BY TERRY DODSWORTH IN PARIS

FRANCE'S NEW Socialist Government won its first notable parliamentary victory late on Sunday when it steam-rollered the first two vital parts of its controversial decentralisation Bill through the National Assembly.

Tenacious stonewalling from the two opposition parties, the neo-Gaullist RPR and the liberal UDF group, ensured a marathon debate on the issue, earlier described by President Francois Mitterrand as the "major task" of his period in office.

Discussions started on July 17 and ran through a number of late night debates before the specially-extended session was brought to an end and deputies allowed leave for their belated holidays—three days later than most of their constituents. They are to assemble again for another one-month extraordinary session on September 8.

The Bill still has a long way to go. About half the provisions still remain to be discussed and it will then have to survive extensive criticism in the Senate. But the Government's hard-driving tactics have carried it over the main hurdle presented by its radical plans to reform the position of the Prefect, the regional administrator. After almost 180 years of virtually unquestioned authority in the provinces, Prefects are now to have their powers substantially trimmed to make way for democratically elected departmental council chairmen.

This reform has occupied the centre ground of the parliamentary battle because Prefects were at the hub of the centralised power system being attacked by the Socialists. Appointed by the Government, Prefects have been able in the past to swing regional policy in the direction decided by Paris, often over-riding local representatives.

Under the provisions of the new Bill, the Prefects are to become "Commissioners of the Republic," acting only as intermediaries for the central government, and with no real control over the local budget. Departmental council chairmen, heading areas based on the 96 departments, will have executive powers on local issues, including expenditure, while the Commissioners look after a few national interests such as law and order.

FRANCE'S BIG nationalised banks responded yesterday to recent criticism from M Jacques Delors, the Economics Minister, by a further modest 0.3 percentage point cut in base rates to bring them down to 15.3 per cent from today, writes Terry Dodsworth

This reduction, led by Societe Generale and Credit Lyonnais, follows a similar adjustment two weeks ago, which led to overt displeasure from M Delors; who had been hoping for a more positive cut to help industry.

The banks' move reflects the gradual pressure the monetary authorities have been exerting to bring down the cost of money in France. During the period of intense speculation against the franc in the presidential election period two months ago, the base rate rose to 17 per cent in the wake of increases in money market rates.

Since the beginning of last month, however, the Bank of France has interveed systematically to reduce rates, while leaving in place the powerful anti-speculative apparatus of restrictions on the movement of funds into other currencies.

Solidarity's aid sought over food

By Leslie Colitt in Gdansk

THE BELEAGURED Polish Government, faced with the prospect of more strikes and protests against worsening food shortages, has called on Solidarity, the independent union movement, to urge farmers to step up meat deliveries to empty slaughterhouses.

Solidarity officials say this is the reason that Mr Jan Kulaj, head of Rural Solidarity, the affiliated peasants' union, joined Mr Lech Walesa in yesterday's negotiations with the Government in Warsaw.

The talks ended inconclusively. Solidarity's national commission swung behind Mr Walesa late on Sunday and agreed to hold crisis talks which had been offered by Mr Mieczyslaw Rakowski, the Deputy Prime Minister. This reversed a decision to boycott talks by Mr Walesa's more militant deputy, Mr Andrzej Gwiazda, who said such talks were inopportune.

More livestock

However, before it will consider making an appeal to farmers to ship more livestock to market, the union wants the Government to rescind this month's 20 per cent reduction in the meat and sausage ration.

Solidarity also insists that the Government must present a basic reform programme for the economy, including a plan for workers' co-management. This will be extremely difficult for the authorities to concede as Moscow is known to be hostile to any sweeping economic reforms.

Poland's independent farmers, who produce about three-quarters of the country's food, are said to be holding back their livestock in the belief that prices on the free market will continue to soar in the absence of meat. They have long since stopped supplying state stores as they receive less than one-third the price they can realise at peasants' markets.

The talks in Warsaw took place against a background of continuing food shortage protests and demonstrations in several Polish cities. In the capital itself about 100 bus, lorry and taxi drivers used their vehicles to bring traffic to a standstill in some parts of the city. Further strike alerts, protest strikes and demonstrations are planned for later this week if talks between Solidarity and the Government collapse.

Piccoli set to stay Italian party leader

BY RUPERT CORNWELL IN ROME

SIG FLAMINIO PICCOLI seems sure of retaining the leadership of Italy's demoralised Christian Democrats for a further six months.

But last week-end's national council of the party, which until June had held power without a break for 35 years, has underlined its confusion and lost direction.

The most tangible consequence of the three days of heated discussions is the summoning of a "national assembly" of party activists this autumn, to be followed in February by a full-scale national congress. At that moment, in all probability, a new leadership structure will be decided.

It is already clear that the majority which as the February, 1980 congress carried Sig Piccoli to the secretaryship, based on a hard line towards the opposition Communists, no longer exists.

This became evident with the resignation from the party's executive of Sig Carlo Donat Cattin, architect of the Centre-Right "cartel" of 18 months ago, in protest at the failure of the Christian-Democrats to take any concrete steps towards the leadership regeneration which by common consent they urgently require.

The ever-latent tensions within the party have come to a head with two related events this summer: the heavy losses incurred at June's local elections and the arrival of Sig Giovanni Spadolini, the Republican Party leader, as the country's first non-Christian Democrat Prime Minister since 1945.

Sig Piccoli's opponents maintain not only that he has failed to give his party new impetus and purpose, but that in moving his party too far from the Communists, he has left himself the prisoner of the smaller "lay" parties of the Centre, and in particular the Socialists.

But critics are, for the time being, hamstrung by the lack of any obvious alternative to Sig Piccoli. The one certainty is that any immediate move to replace him would lead to a bitter power struggle that would only add to the general impression of a party in total disarray.

To complicate matters, the old divisions between Left and Right within the party no longer hold. If the sharpest attack on Sig Piccoli at the weekend came from Sig Donat Cattin and Sig Amintore Fanfani, the President of the Senate—his supporters of last year—he found an unlikely, if temporary, ally in Sig Giulio Andreotti, the former Prime Minister, whose faction on that occasion unavailingly opposed him.

Meanwhile, hopes have faded for an early end to the system of factions and elderly power-brokers, as demanded by the frustrated younger elements in the party.

Red Brigades kill hostage

BY OUR ROME CORRESPONDENT

RED BRIGADES terrorists in Italy have murdered the last remaining hostage of the four they have seized over the past three and a half months. The bullet-riddled body of Sig. Roberto Peci, brother of Patrizio Peci, the most important terrorist turned police informer, was found yesterday in a car south of Rome.

Attached to his corpse was a card with the words "death to traitors."

His death had seemed likely throughout the 54 days he was held, but it has particularly shocked public opinion, none the less.

The action has no shred of political motivation. Its sole purpose has been revenge and to warn any doubting members of the extremist organisation who might, if captured, be tempted to collaborate with police.

The Red Brigades have demonstrated that, despite the wave of arrests last year, they remain a force to be reckoned with, seemingly capable of striking targets at will.

Colombo on Somali visit

BY OUR ROME STAFF

THE Italian Foreign Minister, Sig Emilio Colombo, yesterday left on his second visit to the Horn of Africa within little more than three months. This time he is going to Somalia where he will meet President Siad Barre. He went to Ethiopia last April, the first visit by a Western foreign minister since the Ethiopian revolution in 1974.

Italy, which has strong historic ties with both countries, would like to see a rapprochement between them—Ethiopia and Somalia went to war in 1977-78 over the Somali-populated Ogaden region of Ethiopia. It believes that peace would lessen the need for a Soviet presence in Ethiopia enabling that country to distance itself from the East bloc.

Greek trade deficit totals £1.8bn

By Victor Walker in Athens

GREECE HAD a trade deficit of \$3.26bn (£1.8bn) in the first half of this year, compared with \$3.3bn a year ago, according to Bank of Greece figures published yesterday.

Imports in the period rose by 7.8 per cent to \$5.77bn, with crude oil accounting for just over \$2bn. Exports increased 22.9 per cent to \$2.51bn.

The trade deficit was partly covered by invisible receipts, which rose a disappointing 6.2 per cent to \$2.73bn. Foreign exchange earnings from tourism increased by only 1.6 per cent, compared with 12.5 per cent in the same period last year, and those from shipping by 10.5 per cent, about half last year's rise.

Invisible payments totalled \$947m, leaving a current account deficit in the first six months of \$1.46bn compared with \$1.47bn in January-June 1980.

Law of the Sea talks launched

By David Tonge, Diplomatic Correspondent

WESTERN COUNTRIES set out yesterday to pilot the draft Law of the Sea Treaty through the storms they expect in Geneva. Delegates to the 150-nation conference admit they are apprehensive that the painfully negotiated package of 440 articles could "unravel" because of Third World anger at two Western moves. They are also uncertain if progress can be made on the few parts of the treaty still to be finalised and expect a further session next spring.

The talks are due to end on August 28 but could be extended by a week.

The first cause for Third World anger is the continuing refusal of the U.S. Administration to join in the eight-year-old negotiations. In March, the U.S. rudely dashed hopes of completing the treaty in 1981 when it announced a major policy review. Today, U.S. diplomats say their review will not be completed until late this year.

The second problem is the unilateral legislation which the main Western countries have passed to cover their mining companies' operations on the sea bed. Britain, the U.S., West Germany and France have passed legislation to protect companies wishing to mine the nodules found on large areas of the ocean bed. These nodules are rich in nickel, manganese copper and cobalt. Japan is also considering legislation.

Third World nations are critical of these laws which they see as an attempt to replace the Law of the Sea with a Western "mini treaty." They are threatening to take the issue to the International Court of Justice at The Hague. But the U.S. and Britain insist their laws are merely to cover the six to eight years before a treaty can come into effect.

The Geneva talks are due to deal with the problems of delimiting maritime boundaries: the commission which would supervise bringing the treaty into force: whether the EEC and the Palestine Liberation Organisation and such bodies can participate: the protection to be given mining companies' investments. The six main consortia, have so far spent about £300m on seabed mining research though now are less optimistic than before about a potential "El Durado" on the ocean floor.

The present negotiating text of the treaty represents a complex bargain in which the main ocean-going powers have gained the freedom of navigation they sought in exchange for accepting that the mineral wealth of the oceans should be classified as "the common heritage of mankind" to be exploited by a supra-national enterprise to help develop poorer nations.

Countries such as Britain strongly support it though wish to improve some points. The U.S. has bowed to the vociferous complaints of some mining companies about the deep-sea mining regime.

France delivers Iranian gunboats

BY DAVID WHITE IN PARIS

THE FRENCH authorities, who have been the target of fierce protests in Tehran since they granted asylum to ex-President Abolhassan Bani-Sadr last week, went ahead at the weekend with the long overdue delivery of gunboats for the Iranian navy.

Three missile-carrying high speed vessels, the last in a series of 12 ordered by the Shah's regime in 1974, set sail discreetly from the Normandy port of Cherbourg on Saturday night after being handed over to their Iranian crew. The Defence Ministry did not announce their departure until 24 hours later.

Delivery of the three gunboats had been awaited since June, when the Mitterrand Government, committed to honouring all outstanding arms contracts, gave permission to go ahead. The gunboats, armed with Franco-Italian Ottomat missiles, were held up in Cherbourg during the crisis over the U.S. hostages in Iran until the Western embargo was lifted in January. The other nine vessels had already been delivered, three of them to the new regime.

M. Raymond Barre, the outgoing French Minister, halted the deliveries immediately after M. Mitterrand's presidential victory, leaving the incoming Government to decide whether to complete the contracts. The Iranians had been angered by France's earlier decision to go ahead with delivery of Mirage warplanes to Iraq. The gunboats are of the same type as those ordered by Libya four years ago.

The French Foreign Ministry clamped down at the weekend on journalists' contacts with Mr Bani-Sadr, who moved for security reasons from his flat in southern Paris to a friend's house further away from the capital at Auvers-sur-Oise. The ministry said it had taken measures to keep the Press away from the ex-President and from Mr Massoud Rajavi, the left-wing opposition leader who escaped with him.

Mr Bani-Sadr was granted asylum on the strict condition that he refrain from political activity, but in a series of interviews said he had not come "on holiday" and would go elsewhere if he were not allowed to speak freely. The Government justified its measure by its concern over the 140 French citizens who are now in Tehran.

Spain presses Paris on Basques

BY DAVID WHITE IN PARIS

SPAIN is keeping up pressure on France to change its mind about extraditing Basque militants accused of terrorist crimes.

Sr Francisco Fernandez Ordonez, Spanish Minister of Justice, arrived in Paris yesterday for a brief working visit. His talks with his French opposite number, M Robert Badinter, are believed to have been dedicated largely to Madrid's list of wanted people.

The Spanish have so far gained no satisfaction on the issue in a series of meetings between top government officials, although M Gaston Defferre, the French Interior Minister, promised in Madrid last week that France would crack down on cross-border terrorism. The Mitterrand Government has so far refused to extradite Spanish Basques, despite court decisions which in five out of 11 recent cases have been favourable to Spain's demands.

The court decisions, which leave the final word with the Government, were based on the nature of the crimes, including murder, which it was argued should be considered matters of common law. In the six other cases, however, a court at Pau in south-west France said in its verdict last month that the crimes did not merit extradition because they were political.

France and Spain have a 104-year-old extradition treaty, but a French law made in 1927 forbids the extradition of people accused of politically-motivated crimes. France provided a haven for Spanish Basque militants under Franco but stopped giving them refugee status two years ago.

Several more extradition hearings are scheduled for this month. Spain is reported to have lodged another extradition request last week.

East Germany is preparing to celebrate an anniversary most citizens would rather forget, writes **Leslie Colitt**

Berlin Wall marks second decade

EAST GERMANY is preparing a massive celebration to mark the 20th anniversary on August 13 of an event most East Germans would rather forget.

The building of the Berlin Wall which began on August 13 1961 tore apart greater Berlin, the last entity to survive the division of Germany after the Second World War. It ended weeks in which East Germany was losing up to 6,000 of its citizens a day through the open Berlin border.

An enormous parade of factory militia men in their grey uniforms will be held in East Berlin less than a mile from the barrier that snakes its way 101 miles around West Berlin. The wall itself consists of 62 miles of 13-foot-high concrete slabs topped by anti-escape roll bars. The rest of the barrier is mainly a high metal screen fence, which runs through the less densely populated areas where West Berlin borders on rural East Germany.

Posters have been put up throughout East Berlin to mark the anniversary. They carry photographs showing three factory militia men standing guard in front of the Brandenburg Gate on August 13 1961. Below the pictures are the large words "For Our Security" with colour photographs of another line of factory militia men carrying Kalashnikov machine guns.

The East German factory militia was ordered to close the border between East and West Berlin 20 years ago in the early morning of August 13. A first East German account of that morning has been published in the political weekly Horizont, revealing that the East German army was waiting in the rear to take action if the factory militia had run into trouble sealing off the border.

"Only if Nato armies had intervened would the Soviet armed forces stationed in the GDR have gone into action" the publication says, adding that Soviet troops were also on full alert.

But the three Western allies in West Berlin did not offer resistance, arguing they could not have prevented East Germany, which exercised effective control in the east sector, from erecting a barrier to the West on its own territory. Herr Willy Brandt, then governing mayor of West Berlin, said later that the event of August 13 marked a turning point for him. The realisation that the Western allies were unable to oppose the final division of Berlin caused him to embark on a new course, later to become known as Ostpolitik. East Germans are still told today that the closing of the border "saved the peace in Europe" because the West German Bundeswehr was preparing to "march through the Brandenburg Gate" into East Berlin.

Horizont notes it was Herr Erich Honecker, now East Germany's Communist leader and president, who supervised the separation of East Berlin and East Germany from the West. He was at that time already an heir apparent to East Germany's leader, Herr Walter Ulbricht. At midnight Herr Honecker gave the green light for operation "State Border" from the police headquarters on Alexanderplatz. Tens of thousands of factory militia men were on manoeuvres and had been strategically placed in a ring around West Berlin.

At 1.30 am signals on the East German operated Greater Berlin elevated railway and underground linking East and West Berlin with East Germany were switched to "Halt." At 1.11 am the East German news agency ADN issued a declaration by the Warsaw Pact. It made a "suggestion" to the East German Parliament and Government, as well as the working people, to introduce "regulations" at the border to West Berlin—including its frontier to "democratic Berlin"—which would end the subversion against the socialist countries and guarantee the border would be reliably controlled and guarded.

In the early morning hours the declaration was pasted up all over East Berlin. Its first word was "Bekanntmachung" (Notification), the same word used by German rulers in the past to tell their subjects of new orders. By 2 am the Brandenburg Gate between East and West Berlin was closed by a cordon of the factory militia which controlled virtually all street crossing points between the two halves of the city.

Horizont notes with evident pleasure that the West German Government was still not aware of what was happening in Berlin. The reason, it says, is that Bonn did not subscribe to the official East Germany news agency's service and so never received the Warsaw Pact statement. The East German publication says it was not until Western news agencies brought out the first urgent news item at 3.37 am that Herr Hans Globke, the head of the Bonn Chancellery, woke up Chancellor Konrad Adenauer and told him East Germany had closed the borders to West Berlin.

In a rare East German admission that Western intelligence agencies were anything less than omnipresent, Horizont notes that none of them knew anything of East Germany's plan in advance. The East German account says that East German army units moved up to the border in the meanwhile and began rolling out barbed wire and putting up earth walls, concrete posts and railway sleepers to prevent vehicles from crashing through to West Berlin. Specially trained "agitator groups" mingled with the East Berlin populace to make certain that at 7 am on Monday "everyone went to work as normal in their factories and offices."

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Decision soon on India's application for $4bn IMF loan

BY K. K. SHARMA IN NEW DELHI

AN EARLY decision is expected in negotiations between India and the International Monetary Fund on a $4bn (£2.1bn) loan following the progress to Washington of the Indian team which met IMF representatives in London last week.

The Finance Ministry in New Delhi says that if the IMF had imposed tough conditions on the loan, which is being sought under the extended fund facility, the delegation could have returned to India for consultations.

Apparently fresh directions are not needed from the Government, which gave the delegation a brief for negotiation.

The Indian Government has come under attack from Left-wing parties for seeking the loan, which is the largest that any country has applied for.

Marxists have warned of the possibility of devaluation of the rupee.

Officials say that the IMF is unlikely to seek devaluation since this will not solve India's balance of payments difficulties which due mainly to oil imports.

Indian officials say that the IMF must have been impressed by the measures, especially as they are accompanied by an attempt to reduce the budgetary deficit by cutting public expenditure.

Hong Kong 'rethink' plea

BY KEVIN RAFFERTY IN HONG KONG

ONE OF Hong Kong's biggest and most respected textile industrialists has urged the Government to rethink its economic and credit policies which have boosted property speculation.

Mr T. K. Ann, chairman of the Winsor Industrial Corporation, accuses the Government of complacency.

He also says that the colony's textile industry, for long the backbone of Hong Kong's exports and industrial employment, faces an increasingly difficult future squeezed by higher costs and world recession.

Mr Ann said: "Let it be clearly understood that Hong Kong's survival depends on exports. Nothing does give more push to our runaway inflation that exorbitant rent.

"The problem is not so much the increase, but the rapid escalation in the past two years."

Rajai chooses Premier for Iran

By Our Foreign Staff

MR MOHAMMED JAVAD BAHONAR, the 47-year-old cleric who leads the Islamic Republican Party, has been chosen as Iran's new Premier by his predecessor, the recently elected President Mohammed Ali Rajai.

Mr Behzad Nabavi, the official spokesman, said in Tehran yesterday that Mr Bahonar had already carried out consultations concerning the make-up of his Cabinet and about half the members of the old Rajai government would be changed.

Mr Rajai was sworn in as President yesterday when he took the oath of office at an open session of the Majlis (Parliament).

Meanwhile, concern about the activity of exiled opponents of Ayatollah Khomeini's fundamentalist Islamic regime spread yesterday to Bonn where over 100 were arrested after storming the Iranian Embassy.

Mr Mohammed-Mehdi Navab-Motlagh, the ambassador, was in a state of shock and two consular officials were reported to have been injured.

In Paris the French Ministry of External Affairs, has issued a statement saying that "consideration for the safety of 140 French residents in Iran has led us to take measures to prevent any contact between Mr Bani-Sadr and the Press."

Haig wins European backing on Lebanon

BY OUR FOREIGN STAFF

MR ALEXANDER HAIG, the U.S. Secretary of State, sought and received backing from the Foreign Ministers of Britain, West Germany and France for measures to stabilise Lebanon during last week's talks on international co-operation in Cancun, Mexico.

A senior U.S. official was quoted as saying that Lord Carrington, M. Claude Cheyson, and Herr Hans Dietrich Genscher had made specific commitments, evidently related to diplomatic support and possibly finance as well, according to reports from Washington.

Among the principles agreed to were an increase in UN troops in Lebanon and the expansion of the area under their control. The aim would probably be to extend the zone of their peace-keeping operation both to the north and—more problematically given Israel's links with Major Saad Haddad's militia—south to the border.

The high-ranking U.S. official also spoke of strengthening the Lebanese Government in "economic, political and security terms"—a principle that West European Governments have always strongly favoured.

In addition, he spoke of a collective effort to stop the flow of heavy weapons to the Palestine Liberation Organisation from Syria, Libya and the Soviet Union.

The steps that the State Department envisages involve "contributions, participatory actions, and the good offices" of U.S. allies in Europe, according to the official.

He said also that President Ronald Reagan would assure President Sadat of a continuing level of American support, including military aid, when he visits Washington later this week.

David Tonge adds: President Sadat of Egypt yesterday asked Britain to help build on the "unique opportunity" for peace in the Middle East presented by the recent ceasefire involving Israel and the Palestinians.

In warm and extended talks with Mrs Margaret Thatcher, the British Prime Minister, in London he also gave his full support to EEC efforts to help the peace process.

President Sadat, who is on his way to Washington to discuss the future of the Camp David process with President Ronald Reagan, appears to be seeking some revision of the agreement and to wish more European involvement in the area.

David Lennon adds from Tel Aviv: Last-minute haggling over Cabinet portfolios threatened to delay this morning's scheduled presentation of the new Israeli coalition Government to the Knesset for approval and may force Mr Menahem Begin, the Prime Minister, to submit a minority Government.

Mr Begin planned to sign the coalition agreement last night with the three religious parties pledged to back his Likud block, thus giving him the support of 61 of the Knesset's 120 members. But late yesterday, it appeared that this would have to be postponed.

Thais poised to crack down on Vietnamese boat people

BY DAVID BUTLER IN BANGKOK

THAILAND APPEARS ready to announce stern measures for dealing with the so-called Vietnamese boat people.

This would be an extension of crackdowns earlier this year on ethnic Laotians crossing into Thailand and on Vietnamese who reached the Thai border by travelling overland through Kampuchea.

Thailand's relative goodwill and patience through the six years since the Communist victory in South Vietnam in 1975 is wearing thin as a major debate is growing among international relief officials and within the Reagan Administration over American refugee policy.

Critics in the international relief agencies, especially, have accused the U.S. of encouraging the flow of escapees by its generous resettlement policy.

The Thai measures would call for all boat people who reach Thai shores after August 15 to be held in an austere detention centre—perhaps on an island—from which they would be denied any hope of resettlement "for years," in the words of one Thai military official.

Since January 1, ethnic Laotions crossing into Thailand have been segregated in a detention centre with minimum comforts—refugee workers refer to it has the "B and B." for bamboo and barbed wire—inside the sprawling refugee camp at Nong Khai, across the Mekong River from the Laotian capital of Vientiane.

Thai officials are convinced that a small decrease in arrivals from Laos this year can be attributed to the new policy.

The harshest plight has befallen at least several hundred — and perhaps more — Vietnamese who have made the trek overland to the Thai border through Kampuchea. Since the middle of May, they have been denied entry into Thailand. They are held by various anti-Vietnamese Kempuchean resistance groups with camps along the border.

Relief workers along the border have reported numerous cases of Vietnamese being killed or raped by their Kampuchean "guardians."

Thailand has seen a net drop in the number of refugees it shelters. The 247,000 refugees now housed in Thailand represents a decline from 265,000 in 1979 and 261,000 last year.

What worries Thai officials is that the number of persons escaping Vietnam by boat is again on the increase. While 27,327 Vietnamese arrived in 1980, by June 30 of this year the total had already reached 16,697.

Thailand has not yet announced officially the get tough policy for boat people, but is thought to be seeking approval for it from its partners in the Association of South East Asian Nations.

Steven Friedman, in Johannesburg, reports on recent unrest among black mineworkers and prospects for new trade unions

Labour strife hits South African mines

Faces of discontent . . . South African gold miners

AFTER SEVERAL years of relative tranquillity, South Africa's gold mines have been hit by an upsurge of unrest among their black migrant miners.

Five mines have experienced incidents of violent protest in recent weeks, in what amounts to the most serious series of disturbances among the industry's 450,000-strong black labour force since the mid-1970s, when more than 200 miners died in riots.

The latest unrest comes at a time when manufacturing industry in South Africa has experienced a dramatic increase in black labour militancy, and a sharp rise in the number of industrial disputes. According to official figures, there were 207 strikes last year, costing 174,000 man-days, more than the figure for man-days lost in the entire 1975-79 period.

It is estimated that there has been at least a strike a day this year, but it is only in recent weeks that the gold mining industry, the real motor of the South African economy, has been affected. The truth is that mining remains a very separate world to the rest of the country's industry, and there is little evidence to suggest a direct tie-up in the industrial unrest.

The strike wave in industry followed a marked increase in black worker skills and assertiveness. It coincided with the growth of an increasingly sophisticated trade union movement. Most of this has passed the mines by.

Legislation due to be tabled soon in the South African Parliament would open official trade union rights to all workers, including migrant mineworkers. At the same time there is a major debate within the industry on how best to respond both to trade unions, and to the need for more skilled black miners.

There has been no black union of significance on the mines since the 1940s. The principal reason lies with the migrant labour system, on which the mines still depend.

There are 450,000 black workers on the mines, the vast majority of which are migrant workers on short-term contracts, living in huge, barracks-like single sex hotels. About 40 per cent of them come from South Africa's neighbouring countries, such as Lesotho and Mozambique. The rest are from South Africa's bantustans, the tribal homelands.

Migrant workers are difficult to organise because they are housed on mine property, where union recruiters are liable to arrest unless they enter with management permission. The workers are also liable to summary dismissal if they down tools and breach mine discipline.

The industry has traditionally resisted black unionism. Its majority submission to the Government's Wiehahn Labour Commission argued against black unionisation on the mines. Most mines have only recently introduced a system of in-house liaison committees for black workers—a system which is rejected as "toothless" by black workers in industry.

The industry's annual black wage award therefore involves no bargaining or consultation with black workers, and generally reflects employer priorities. Real black wages rose by more than 200 per cent in the 70s as the mines attempted to attract local workers, and thereby lessen their dependence on labour from potentially hostile neighbouring African states, like Mozambique and Zimbabwe. The rate of increase has recently slowed.

The recent disputes at Anglo American's President Steyn mine, and at the Rand Mines' group's East Rand Proprietary Mine (ERPM), provided a classic example of how communications between black miners and their management often fail.

A cause of both disputes was the introduction of a new death benefit scheme, offering greatly increased benefits for the families of men who die at work, in exchange for a relatively small compulsory contribution.

But some workers were suspicious of the new deductions, and protested violently. At President Steyn, one worker died, and R1m (£588,000)) worth of damage was caused.

Despite repeated similar examples of the failure of the present system of communications, most major mining houses remain sceptical about a more formalised system of industrial relations through the medium of trade unions. Draft guidelines drawn up within the mining industry give an insight into its attitude.

The guidelines suggest that unionists should not be allowed to meet workers in the compounds or at work. They also advise mines not to bargain with unions—even if they represent a majority of workers on the individual mine—unless they represent 30 per cent of eligible workers in the mining industry as a whole.

The draft rejects negotiation with unions which do not register with the Government. Some interpret it to mean that blacks could not be unionised unless the white union in their job category wished to recruit them—and some white mine unions are opposed in principle to black unionisation.

The guidelines have not been finalised and mine employers stress that they could be changed in the future. They also reject the charge that they are designed to keep unions out. But unless they are drastically revised, and unionists are permitted free access to workers, they are likely to act as a brake on unionisation.

The fact that most black miners are migrants also has the effect of isolating them from those trends in secondary industry which have encouraged rising militancy. In particular, black miners have not benefited from the skilled status which an increasing number of black workers in industry enjoy. They are legally barred from holding blasting certificates—the prerequisite for official skilled worker status underground.

A Government commission report, due soon, is expected to recommend that they be granted access to these certificates—but only if if white mine unions are consulted, and they are likely to oppose it. The Mine Workers' Union has even threatened to strike if blacks are granted the certificates.

These factors have inhibited the growth of formal worker organisation and black assertiveness. But they have not resulted in sustained unrest. Unlike the strikes in industry, mine unrest is usually entirely unpredictable—and violent.

The recent unrest demonstrates how any job change, however, well-intentioned, can spark disturbances as "misunderstandings" of management accouncements occur. Trouble can also be sparked by relatively trivial surface causes. One major riot occurred over the preparation of a meal.

Some employers blame tribal rivalry while others believe the compounds are vulnerable to infiltration

But studies on the industry advance a different theory. They argue that the migrant labour system itself is at the roots of violent unrest.

Social scientists believe the system creates constant tensions by separating workers from their families. This argument received support from a government inquiry into the violence of the 1970s, which was suppressed.

Bolivian leader faces fourth attempted coup

BY OUR CORRESPONDENT IN LA PAZ

FOR THE fourth time since May 2, dissident Army commanders in Bolivia have risen against Gen. Luis Garcia Meza and demanded that he resign the presidency.

The south-eastern regional capital of Santa Cruz has been seized by the eighth army division under the command of Gen Lucio Anez Rivero, the former Army chief and, Gen. Alberto Natusch Busch, the former President.

This is clearly the most *serious threat to Garcia Meza's* regime since the general himself took power in a bloody coup on July 17 last year, toppling the eight-month interim civilian administration of Sra Lydia Gueiler, Garcia Meza's cousin and Bolivia's first woman president.

Generals Anez and Natusch, both exiled by the Government earlier this year for plotting against the President, demanded that Gen Garcia Meza resign and the country's three-member military junta of commanders assume control of the Government.

Gen Waldo Bernal, the Air Force Commander, Gen Celso Torrelio, his Army counterpart, and Capt Oscar Pammo, the Navy chief, were meeting in emergency sessions at the Miraflores army headquarters yesterday in La Paz. But by midday there was no official reaction from the commanders.

"The problem is limited to Santa Cruz only." Sr Rolando Diez de Medina, the Government Press *spokesman* said yesterday. But, in a communique signed by the putsch leaders in Santa Cruz, heading what they called a "revolutionary joint command." the rebels said their movement had the support of several major army regiments in the interior of the country.

Reports from Santa Cruz also said that Air Force units based there had joined the rebellion, and that several civilian political leaders, including former President Luis Adolfo Siles Salinas, who governed Bolivia in 1969 to 1970 and was toppled in a coup by Gen Alfredo Avando Candia, had joined the group as well. These reports could not be confirmed.

The situation in the Bolivian capital was normal as yesterday Gen Garcia Meza appeared to be carrying out his presidential activities as usual. There was tense expectation, however, as to what the three junta members may choose to do. Meanwhile, Gen Natusch announced he would speak in a public gathering in Santa Cruz's central plaza late yesterday.

Gen Garcia Meza said on Sunday: "Extremist elements want to make rivers of blood run," in this Andean nation of 5.5m people by trying to unseat him in another coup in this, Latin America's most coup-prone republic.

Since taking office last year, Gen Garcia Meza has faced, and put down, three previous military coup attempts, and one Right-wing extremist attempt to overthrow him.

Gen. Natusch Busch (left), a former President, in yet another plot to overthrow President Garcia Meza (right), in coup-ridden Bolivia.

Mexico meeting shows further shift in Washington's policy

CANCUN, Mexico — Further signs of a shift in U.S. policy in favour of the Third World *emerged at last weekend's con*ference of foreign ministers from rich and poor countries.

The shift was already apparent at last month's summit in Ottawa of the world's seven major industrial democracies, where President Reagan's Administration subscribed for the first time to the idea of global negotiations to bridge the economic gap between the two groups.

The trend was confirmed at Cancun at a ministerial meeting that fixed issues to be discussed at a North-South summit on October 22 and 23.

Ministers from 22 nations, ranging from the U.S., the richest, to Tanzania and Bangladesh, among the poorest, decided that the United Nations was the proper forum for global negotiations on the world economy.

The U.S. had hitherto resisted pressure to negotiate global aid efforts within the world body, where developing countries have a big majority.

Delegates from industrialised countries said the new positive approach of the Reagan administration would help ensure the success of the October summit, the first time the world's economic inequalities will be discussed at such high level.

Sr Jorge Castaneda, the Mexican Foreign Minister, quoted Mr Alexander Haig, the U.S. Secretary of State, as telling fellow ministers in one of the closed sessions that the U.S. could no longer wait until it had solved its own economic problems before aiding the Third World.

The foreign ministers decided against a formal agenda for the summit but agreed on four broad issues for discussions: development and the reactivation of the world economy, including areas such as food security and agricultural development and commodities; trade and industrialisation; energy; and monetary and financial questions.

Mr Haig said it was clear no one wanted a confrontation and all participants recognised the historic opportunity offered them "to make a new beginning in relations among nations." Some diplomats said the new U.S. attitude owed more to pressure from its Western allies than from increased sympathy towards the poor nations of the South.

But Lord Carrington, Britain's Foreign Secretary, warned against exaggerated optimism, saying: "I fear that expectations of a blueprint for the future may rise too much merely by the very fact that the summit is to be held."
Agencies

U.S. buyers report July decline

Purchasing managers at U.S. corporations said economic conditions deteriorated in July, the *National Association of Purchasing Management* said, Reuter reports from New York.

The association's monthly survey, regarded as an early indicator of economic activity, showed production, new orders and employment all declined.

The survey showed 18 per cent of managers reporting higher production, compared with 20 per cent in June, and 29 per cent reported lower output, compared with 13 per cent in the previous month.

"CIA Press pact"

The Central Intelligence Agency (CIA) is to resume the practice of giving briefings to newsmen going abroad, and in return is asking for any information the reporters obtain while on their assignments, AP reports from New York, quoting the New York Daily News. The newspaper quoted an unnamed official as saying the practice, which was discontinued in May, will be used in "special circumstances."

Tax Bill approved

The U.S. Senate and House of Representatives conferees have approved a final version of the Bill encompassing President Reagan's across-the-board 25 per cent tax cut in the next three years, Reuter reports from Washington. The full Senate was expected to vote on the Bill yesterday and the House today.

Revenue losses

Mr Donald Regan, the U.S. Treasury Secretary, said President Reagan's three-year, 25 per cent tax cut would reduce tax revenues by $37.3bn (£20.4bn) next year, $93.7bn in 1983, $149.5bn in 1984, $191.9bn in 1985 and $252.1bn in 1986, Reuter reports from Washington.

Hua for Washington

Huang Hua, the Chinese Foreign Minister, will visit the U.S. in late October for talks which the Reagan Administration expects to focus largely on U.S. arms sales to China, a senior U.S. official said, Reuter reported.

Dutchman to head Antilles central bank

By Charles Batchelor in Amsterdam

A SENIOR official from the Netherlands central bank will take over the governorship of the Netherlands Antilles central bank for two years. The move follows the suspension of the acting governor for allegedly exceeding his powers by investing the Antilles bank's money in a venture to mint gold coins.

Mr Pieter Timmerman, a senior director of the Netherlands Bank, will take up his new post in October. He will train a successor to Mr Robert Braumuller, who was suspended in May, an Antillean Government official said in The Hague.

The Antillean Parliament is continuing its investigation into the plan to mint a series of gold coins known as "the Queen of Saba."

Apart from the uspension of Mr Braumuller, there have been calls from Opposition MPs in the Antilles for the resignation of Mr Marco de Castro, the Finance Minister.

AIR TRAFFIC STRIKE—Passengers mingle with pickets at a packed La Guardia airport in New York yesterday as the dispute begins to bite. President Reagan has warned air traffic controllers that they will be fired if they fail to return to work within 48 hours.

Romania asks Russians for extra oil and gas

BY PAUL LENDVAI IN VIENNA

ROMANIA has publicly asked the Soviet Union for increased gas and oil deliveries in a significant shift of economic policy, thus admitting for the first time its growing dependence on the USSR as raw material supplier.

This is the key statement in the communiqué published about President Nicolae Ceausescu's lightning visit during the weekend to the Crimea where he had talks with President Leonid Brezhnev and Mr Andrei Gromyko, the Soviet Foreign Minister.

At the same time, Romania has also begun a public campaign to increase its trade with the other Comecon countries.

The communiqué about the Crimea meeting confirmed increased gas deliveries for Romania in exchange for participation in the building of gas pipelines, nuclear power plant and iron ore mines in the Soviet Union. But it gave no indication whether Romania's bid for more Soviet oil has met with success.

The statement merely said: "Questions concerning Soviet oil deliveries were also discussed."

This is the first time that the issue has been publicly referred to at the highest level. It is understood that Romania received last year almost 1.5m tonnes of crude oil from the Soviet Union and 800,000 tonnes from China.

Romania has been badly hit by the upheaval in Iran, its largest supplier of oil in the past, and by the price increase for crude. *According to official* figures, the oil price rise last year cost the country about $1.5bn.

Romania's oil output last year was merely 11.5m tonnes as against the planned 15m tonnes.

During the past Five Year Plan, the combined production was 66.8m tonnes instead of the planned 74.4m tonnes. In view of the drain on reserves, President Ceausescu announced that this year crude oil imports will be cut from 15m tonnes to 12.5m tonnes.

But even so, Romania's economic strategy has produced more, rather than less, vulnerability to the changes in the world energy situation.

Romania, which not so long ago rejected Comecon co-operation ventures, is now pressing for a doubling of trade exchanges with the Comecon countries.

Scinteia, the Romanian party paper, *has* complained that Comecon's share in Romanian foreign trade has dropped from 50 per cent to 34 per cent in the past 10 years, and that its stake in covering Romania's demand for energy has fallen from 47 to 21 per cent.

Orders mount for Boeing 767

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BOEING, the world's biggest jet airliner manufacturer, with over 4,600 jets ordered so far, of which over 4,000 have been delivered, today rolls out the first of its latest type, the twin-engined, short-to-medium range 767.

This event will occur at the precise moment set three years ago, in July 1978, when the 767 programme was launched with United Airlines of the U.S. as the first customer.

Since then, the order book has grown to 17 customers, with 173 aircraft firmly ordered, worth about $7bn, including spares, with another 138 on option, worth about $5.5bn, a total of $12.5bn (£6.7bn). Each 767 costs between $35m and $40m, according to equipment installed and the volume of spares ordered.

ORDERS PLACED

Company	Firm	Options
Air Canada	12	18
Alaska	2	2
All Nippon	25	15
American	30	20
Ansett	5	—
Avianca	3	4
Braathens	2	2
Britannia	2	3
China Airlines	2	—
CP Air	4	4
Delta	20	22
Israel Govt.	4	—
Pacific Western	4	2
Trans Brasil	3	—
TWA	10	10
United	39	30
Western	6	6
Total	173	138

The first flight of the 767 is expected in late September. After nearly a year's test flying, the Certificate of Airworthiness is expected in July 1982, with deliveries to United starting immediately thereafter.

So far, the programme has cost Boeing over $1.5bn, including design, development and production, together with a new assembly factory at its Everett plant, north of Seattle, where 747 Jumbo jets are also built.

By the time the first aircraft is delivered to United next year, the total programme will have cost about $2bn, but much of this extra $500m will by then be locked up in aircraft on the production line.

Planned production is five aircraft a month by the end of next year, but this can be raised quickly to 8½ a month in 1983 if the air transport recession fades, and an upturn in traffic leads to an inflow of new orders.

Boeing still believes strongly that this upsurge will occur around 1983, and it is aiming at a market of up to 800 of the 767s through the 1980s, despite tough competition from its direct rival, the European A-300 Airbus.

By the end of this century, Boeing foresees a total market for both its 767, and its smaller stable-mate, the twin-engined 757, of around 2,000 aircraft.

The 767 is an international collaborative venture, with Aeritalia of Italy and the Japanese aerospace industry each undertaking 15 per cent of the work.

Many companies throughout *the U.S. aerospace and* associated industries are also involved. In all, some 44,000 workers are involved on the aircraft in seven countries, including sub-contractors and component suppliers.

Although the 767 aircraft is basically a 240-seater, some airlines will use it in higher densities. Britannia of the UK, for example, intends to use it as a 269-passenger aircraft. Its range will be about 2,600 miles with reserves, but most operators will use it on shorter stage-lengths.

Engines for the 767 are being provided by General Electric (CF6-80As, or Pratt and Whitney JT-9D-7R4Ds), of up to 50,000 lbs thrust. So far, Rolls-Royce has won no orders to instal its RB-211 engines on the 767, although it has won substantial orders for its Dash 535 engine for the smaller 757.

UK spending on overseas exhibitions falls

By Michael Thompson-Noel

EXPENDITURE by UK companies on overseas exhibitions fell sharply last year. The total, according to the Incorporated Society of British Advertisers, was £36m—a big fall on the £51m spent on foreign exhibitions by British exporters in 1979.

To some extent, the society said, the fall-off was a reflection of wide currency fluctuations over the two-year period, though it noted that joint ventures with the British Overseas Trade Board held up well, accounting for 53 per cent of the total spent by exporters on exhibitions abroad.

Total expenditure by UK exhibitors on trade and consumer exhibitions inside the UK, the society said, was £106m last year—a fall, in real terms, on the £98m spent the previous year. The cost to overseas companies of participating in UK exhibitions was not reflected in the total, it added.

Italimpianti and Hyundai sign blast furnace pact

BY RUPERT CORNWELL IN ROME

ITALIMPIANTI, one of Italy's largest plant processing groups and a subsidiary of the IRI-Finsider state-owned steel group, has signed a sales agreement with Hyundai of South Korea, one of the leading manufacturing groups from the newly industrialised countries.

The deal has been approved by the Seoul authorities. It provides for Hyundai to commercialise Italimpianti's blast furnace technology not only in South Korea, but also in other markets in the Far East such as the Philippines, Malaysia and Indonesia, all of which plan to expand substantially their domestic steel industries.

Italimpianti, which has already carried off important contracts in Europe, Latin America and Australia, as well as for Iran's Isfahan steel complex, will thus be able to compete more effectively in markets which hitherto have been the exclusive province of Japanese plant processing concerns.

Last year, the Genoa-based group reported a decline in net earnings to L5bn on sales of L521bn (£231m), while orders in hand totalled L2,200bn. Its leading executives have long identified Japanese companies as the main threat to Italian orders in Third World markets at least.

Meanwhile, Snamprogetti, the equivalent of Italimpianti at the other main state conglomerate, the energy agency ENI, has a contract from the authorities in Brazil and Bolivia to design a 1,950km methane gas pipeline linking the two Latin American countries.

The pipeline, which will run from Santa Cruz in Bolivia to Sao Paulo in Brazil, will have a daily capacity of 14m cu metres. Snamprogetti will be responsible for infrastructure equipment, including compression stations and communications on the project.

Hong Kong angry over EEC move on textiles

By Kevin Rafferty in Hong Kong

HONG KONG trade officials are angry with the EEC Commission for an unexpected, unannounced and unorthodox move which has led to the hold-up by British Customs officials of goods worth millions of dollars and intended for the highly seasonal summer trade.

The goods have been released in time to catch the trade. But Hong Kong is now looking for an explanation from Brussels and some compensation.

The goods are knitted women's tops with scalloped edges which since 1978 had been admitted to the EEC under Category 83, a generalised classification for knitted outer garments, "not elsewhere specified."

For the current year, the Commission decided that henceforth, the tops should come uder Category 5, a more specific category for knitted pullovers, sweaters, cardigans and jerseys.

Brussels failed to tell Hong Kong of the change. Goods which had previously been arriving and admitted under Category 83 were held up by British Customs acting on instructions from the Commission.

Since June, an estimated 500,000 garments have been seized in Britain, which seems to be the only major market for this item of women's wear.

A senior official in Hong Kong's Trade, Industry and Customs Department yesterday expressed "relief" that the immediate practical problem had been solved and the goods released late, but still in time to catch the seasonal summer trade.

"It is highly disruptive when a change is made in the middle of the trade year," he declared. The garments were held up for a matter of weeks.

There seems less hope of amicable solution of the underlying issue. Hong Kong's contention is that if there is a switch of category, then Category 5 should be extended to cope with the new goods included in it.

But the EEC claims that since the goods should have been in Category 5 all along, there is no question of compensation. Initial discussions between Hong Kong and Brussels have ended in deadlock.

Government officials are being cautious in their comments, but other members of the trade and of the Hong Kong Textiles Advisory Board are angry about the disruption to trade and the costs incurred by the switch.

ECGD resumes Jamaica cover

By Canute James in Kingston

The Export Credits Guarantee Department has resumed coverage in Jamaica. It is supporting a $11m (£6m) line of credit from Grindlays Bank to the Bank of Jamaica. The credit will be used to finance imports of raw materials, capital and semi-capital goods from the UK.

The credit line follows a recent £5m loan to Jamaica by the UK Government. The Bank of Jamaica said the 180-day credit will allow confirming houses like Gillespie Brothers, Thomas Bell and Tower Hill Merchants to book orders for Jamaican customers.

Crop setbacks push Soviet Union towards new grain deal with U.S.

BY JOHN EDWARDS, COMMODITIES EDITOR

The Soviet Union effectively foiled the U.S. grain embargo imposed after the invasion of Afghanistan. But the existence of the embargo upset traditional patterns in the world's grain trade. Now the relative failure of the Soviet crop, added to poor harvests in East Europe, is forcing Moscow back into the arms of the U.S., the world's main grain exporter.

ANYONE REFUSING to supply a customer would normally expect to lose future business. But in Vienna this week, the U.S. has high hopes of persuading the Soviet Union to renew a five-year grain sales pact, despite the embargo on exports imposed by President Jimmy Carter in protest against the Soviet invasion of Afghanistan. The existing agreement expires in October.

The Reagan Administration agonised for several months before finally implementing, in April, the election pledge to lift the embargo.

Having taken the plunge in scrapping the embargo the Americans in June wooed the Soviet Union with an offer to supply an extra 12m tonnes of grain—6m this season and 6m in 1981/82—even without any commitment from the Soviet Union to buy.

The talks in Vienna this week are a further effort by the U.S. to win back Russian custom by concluding a new grain pact. Under the existing pact, negotiated in 1975, the Russians agreed to buy a minimum of 6m tonnes anually over a five-year period.

It was also agreed that the Russians could buy up to 8m tonnes a year, but had to consult with the U.S. first if wanting to buy extra quantities above 8m tonnes.

Last year, the Russians obtained permission to buy an extra 17m tonnes, over and above the 8m tonnes pledged under the five-year agreement, and it was on this extra quantity that the embargo was imposed.

The Americans can, therefore, claim that they kept to the letter of the five-year pact between the two countries. Nevertheless, the embargo on the extra sales, coming at a time when the Russians were desperately in need of grain, did breach contracts already formally agreed and did considerable harm to the U.S. reputation as a reliable supplier.

More to the point, the embargo was a practical failure too since the Soviet Union was able to get round it quite easily and obtain all the grain it needed from other sources, although this required more time and expense.

The failure of the embargo demonstrated quite clearly that the so-called "food weapon" is completely ineffective, unless the country imposing it is prepared to take supplies completely off the world market and it can persuade other producers to co-operate.

The main effect of the embargo was to disrupt the traditional grain trade patterns established over the years and cause considerable friction among exporting countries as the U.S. sought to expand its non-Soviet sales.

However, all is not lost for the Americans. In spite of the embargo proving conclusively that the Soviet Union is not dependent on American grain imports, there seems to be a good chance that the Russians will after all pocket their pride and again agree to regular purchases of U.S. grain.

Evidence is building up that the Soviet harvest this year has once again been hit by bad weather and is likely to fall well short of the official target of 236m tonnes.

Last month, the U.S. Department of Agriculture, which normally produces the best estimates of the Soviet crop with the help of satellite assess*ments, cut its forecast of the* harvest to 200m tonnes.

Since then, the situation has deteriorated further and it is now thought quite possible the Russian crop may well be near or below last year's very disappointing 189m tonnes.

This setback comes despite intensive efforts by the Soviet Union to boost production, particularly of feedgrains urgently needed to sustain the country's livestock population and meat supplies.

It provides evidence of the inefficiency of the Soviet farming system, which is undermined not only by bad weather but also by basic structural weaknesses—poor transport, inadequate storage, shortages of inputs, machinery and spare parts which all combine to reduce grain yields to low levels.

Adding to the Soviet dilemma is the fact that several of the Eastern European countries have also suffered bad harvest setbacks.

Tragically, Poland has been badly hit by floods hampering harvesting of crops already suffering from lack of fertilisers and poor husbandry resulting from shortages of spare parts for farm machinery. Also affected are other countries like Czechoslovakia, Hungary and East Germany, which were previously anticipating good crops.

These setbacks inevitably mean that the Soviet Union will have to step up grain imports, or face a drop in living standards that might spread the troubles in Poland to a much wider area.

It is estimated that the Soviet Union alone will need to step up grain imports to 38m tonnes —3m above its record imports last year.

Harvesters bring in a record U.S. grain crop—some of which the Soviet Union needs to buy.

While it is true that the Soviet Union has been extremely successful in obtaining grain from non-U.S. sources, the hard fact is that the U.S. is the world's dominant exporter of grain, particularly of feedgrains most needed by the Russians.

The Americans, who have produced a record wheat crop and seem likely to have bumper maize and soyabean harvests too, are in practical terms the only real source of the substantial quantities of grain imports that the Communist bloc countries are likely to need.

Despite the Communist bloc setbacks, world grain supplies in the forthcoming year should be reasonable and a shortage of the kind experienced in 1972-73 should be avoided.

Apart from the bumper crop in the U.S., bigger harvests are predicted for Canada, Argentina and Australia. The EEC too, which has been exporting large amounts with the aid of sizeable subsidies, is also expected to have a reasonable harvest, although it may well not match last year's record 124.4m tonnes.

But as the UN Food and Agriculture Organisation pointed out last week, world grain stocks are still far from plentiful and it would need only another setback in one of the main exporting areas for supplies to become very tight again and prices to rocket.

Demand for grain, particularly in the developing world, has an underlying stronger growth rate than production, as the poorer countries develop an increasing appetite for meat and other grain-based products, moving away in many cases from the traditional staple diet of rice.

It is this desire for more meat, as part of the push for higher living standards, that has increased demand for grain in the Soviet Union and other Communist coutries at a faster rate than the rise in production.

While the U.S. and other exporting countries are able to go on producing bumper crops, there is just about enough grain to meet the growing appetite from the world's expanding human and livestock population.

But should there be a major setback in production, as seems inevitable given unpredictable weather conditions, the world could quickly be faced with a serious food shortage.

This is why the Soviet Union may well be tempted to conclude a grain sales pact with the U.S. to ensure its supplies for at least a year or so, when it attempts to rebuild stocks from the low levels resulting from poor harvests and the *aftermath of the embargo.*

Focus on the go-getter who clicked with offshore technology

THE NEW ENTREPRENEURS

Mark Meredith meets the engineer whose underwater camera has helped to put Wick in the picture

MR BILL BRYAN is the kind of person who, when asked how his company is coping with recession, can reply: "Recession? What recession?" He's also the kind of person who can talk about exports to Japan.

This turns out to be not bravado but the confidence of a 39-year-old engineer who in three years has built up a position for himself at the front end of offshore technology.

His company, Osprey Electronics, produces underwater television cameras for the offshore industry at a small factory on the perimeter of Wick airport, in the North-East of Scotland, on the road to John o' Groats.

He picked his way carefully through the fields of micro-electronics and offshore technology before singling out a product line to develop—ruthlessly.

"Britain is too nice to its competition . . . there's no way I'm going to give an inch to my competition," he said

Mr Bryan is one of a growing breed of engineers and scientists in the North of Scotland, trained in the workshops and laboratories of the Dounray prototype fast reactor in Caithness.

He started work there as a craft apprentice in 1958 and later became a student apprentice. After studying electrical engineering, he returned to the reactor as a scientific officer for a short time.

He left for a brief spell with Honeywell Computers before moving to Hewlett Packard in South Queensferry, North-West of Edinburgh. Hewlett Packard, he recalls, was a good teacher.

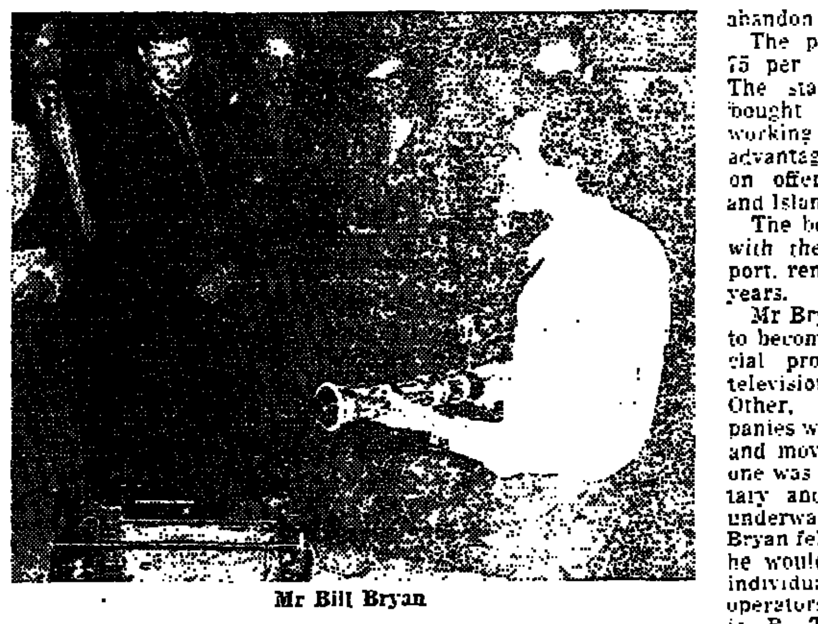
"They were emancipated and expected each outside branch company to be self-propelling, with its own research and development and its own range of products." His job there was as product market manager for electronic measuring devices.

Osprey Electronics followed, but the design and development of underwater cameras did not arrive as a great vision when Mr Bryan looked out into the North Sea from his home in Wick.

"It was mostly because I wanted to do my own thing. There was no objective formula to it really," he said. Three colleagues from Hewlett Packard left to join him in Osprey, which first served as a manufacturing arm of Fortronic, a Fife company producing computer terminals.

After a few years, Mr Bryan decided to diversify offshore. He joined up with the Lyle Offshore group, the North Sea operations of the Glasgow-based Lyle Shipping company. About the same time, a visitation by a frustrated agent turned Osprey towards underwater television.

The market had been dominated until then by two California-based companies, Subsea Systems and Hydro Products. The agent reported that the U.S. companies were not responding to the special demands of the North Sea market.



Mr Bill Bryan

These cameras, to be held by divers or mounted on remote controlled submarines, made new demands on underwater photography and operators also wanted elaborate surface control mechanisms.

One commercial producer of underwater cameras at that time was Marine Unit Technology in Plymouth, which was about to go into receivership. As part of the association with Lyle, the Lyle Offshore group purchased for Osprey the designs, trade marks, patents and the name of Marine Unit Technology.

The deal also committed Marine Unit Technology to abandon underwater television.

The purchase gave Lyle its 75 per cent stake in Osprey. The stake of Fortronic was bought out and to build up working capital, Mr Bryan took advantage of loans and grants on offer from the Highlands and Islands Development Board.

The board also provided him with the factory at Wick airport, rent free for the first two years.

Mr Bryan found himself soon to become the leading commercial producer of underwater television systems in Britain. Other, more powerful, companies were also in on the game and moving fast. Marconi, for one was active in both the military and commercial field of underwater television. But Mr Bryan felt with a small company he would be able to meet the individual demands of operators. Another competitor is R. T. Labs of Wells in Somerset, and Cameron Video.

Mr Bryan set up a separate branch operation in Aberdeen to produce entire offshore television operation systems to order. "We set out with one objective — to become number one at visual imagery," he said.

Technically, American companies, according to Mr Bryan, specialised on cameras linked to drilling operations.

But the emplacement, servicing and repair of North Sea oil platforms produced a wide range of requirements, from an ability to operate in muddy water to a capability of pictures not "burning out" with the sudden flashes of undersea welding: from diver-held to remote control submarine mounted cameras. Operators required videotape adaptability to record work done as well as remote control systems.

Mr Bryan pitched his camera as a product family of cameras all using the same plug-in system.

A carefully-cultivated network of agents started producing exports and Mr Bryan began to acquire a reputation for trying harder.

The order book looked promising although getting too many details out of Mr Bryan is difficult. The competition is very much in his mind, but he puts turnover at about £1.2m a year. Clients in Britain include some of the major North Sea developers, Brown and Root, Shell, McDermott Engineers, and Subsea International.

Vin that is not exactly ordinaire

By Maurice Samuelson

CANNED WINE has been launched in the UK by Metal Box and International Distillers and Vintners, the wine and spirits arm of Grand Metropolitan.

Red and white French table wines in aluminium cans are being test-marketed

Metal Box, Britain's leading packaging company, says it has produced a wine can with a shelf life of more than six months which does not affect the flavour of the wine.

Meanwhile, the Wine and Spirit Association of Great Britain and Northern Ireland has condemned suggestions that wine bottles should be affected by a private Bill, currently before the House of Lords, to outlaw "one trip" beverage containers.

Mr Roger Elliott, an adviser to the Friends of the Earth environmentalist body, has said wine containers should be affected by a private members Bill, tabled by Lord Beaumont of Whitley, which would seek to introduce cash deposits on beverage containers.

The Wine and Spirit Association is also worried about the possible effects of an EEC directive calling for the standardisation of bottle shapes, sizes and types, to make it easier for them to be used more than once.

The association has opposed the adoption of such a rule in Britain on the grounds that two-thirds of all wine drunk in the UK is imported in bottle and about a quarter of the wine cleared from bond is imported from outside the EEC.

Since the EEC member states have no standard bottle shapes, sizes and types, it would be "hypocritical" to expect suppliers outside the Community to do so first, the association said.

SE to press for action on dealers in securities

By Christine Moir

THE STOCK EXCHANGE will continue to press for legislation during this Parliament to replace the Prevention of Fraud (Investments) Act, which controls licensed dealers in securities.

Mr Nicholas Goodison, chairman of the exchange, said last week that he welcomed the Government's appointment of Prof Jim Gower to review the present legislation covering investment management. However, the Government needed to be pressed into an urgent replacement of the pre-war PFI Act which has been shown to be "wildly inappropriate" for today's conditions, he said.

The collapse of several investment management groups recently showed that the control of dealers who hold Department of Trade licences to trade in securities was "a shambles," he added.

Mr Goodison said the Stock Exchange is preparing its preliminary submissions for Prof Gower. His personal view was that the Trade Secretary should encourage the development of a strong, self-regulatory organisation which would police licensed dealers.

He did not think the DoT either could or would want to exercise direct control over the industry. Rather, it should insist that anyone who looked after the public's money should be a member of a body which had adequate powers of surveillance and regulation.

The Stock Exchange, however, had no ambition to regulate investment managers outside its own members, Mr Goodison insisted.

The Stock Exchange is reviewing its own regulations, in the light of the failures of stockbrokers Norman Collins and Hedderwick Stirling Grumbar earlier this year.

A committee which should report by September is studying the exchange's surveillance procedures to see whether they need to be tightened. In particular, it will discuss whether the exchange should extend its powers to send officials into firms to inspect their accounts.

The committee will also study any general matters which might arise from the exchange's investigation into the dealing practices of Halliday Simpson, the Manchester broking firm which it suspended in July.

However, Mr Goodison pointed out that specific rules already exist which cover dealing practices. "For instance, there is already a rule which requires contract notes to be issued forthwith," he said.

Before firms were required to complete contract notes immediately following a deal, a practice had developed in some areas where the name of the client could be left blank for a period, during which the share price movement after the deal could be monitored.

At its worst, this meant that if the shares moved up a personal name might be filled in, but if they moved down an investment organisation would have to bear the brunt.

Ferries face inquiry delay on Sealink bid

BY ANDREW FISHER, SHIPPING CORRESPONDENT

EUROPEAN FERRIES will have to wait until November to learn if the Government will allow it to proceed with its intended bid for the state-owned Sealink UK ferry operation.

The Monopolies and Mergers Commission, which was due to report on the proposed merger by today, has been allowed until November 4 to prepare its report.

European Ferries, owner of the Townsend Thoresen ferry company, said in December that it wanted to buy Sealink UK, for up to £50m in necessary.

Sealink itself is firmly against the European Ferries approach, although it does not oppose moves by the Government to sell it to the private sector. Sealink is owned by British Rail and operates services with French, Belgian and Dutch concerns.

A takeover of Sealink by European Ferries is opposed also by P and O, which has its own ferry services around the UK. It has told the Government that Sealink should be sold off piecemeal and not be allowed to go to European Ferries to create a "classic monopoly."

The bid was referred to the Monopolies Commission in March for a five-month investigation. But it has also had to contend with another cross-Channel reference, that of the merger between the Swedish-owned Hoverlloyd and Seaspeed, the hovercraft operation of British Rail.

This was published at the end of June, with the commission giving the go-ahead to an amalgamation of the two money-losing operations.

Mr John Biffen, Trade Secretary, agreed to the extension in the case of European Ferries and Sealink after being told there were special reasons for the request for a delay.

Because of the complexity of the short-sea ferry operations and the seriousness of the privatisation issue, the commission has been hearing more evidence from both sides and from other parties.

Sealink UK lost £3.8m last year after making a profit of £4.7m the previous year. Delays in ship deliveries from Harland and Wolff, together with the recession, and the French fishermen's blockade hit Sealink hard.

The low level of fares, as operators compete for traffic to France and Belgium, has also affected Sealink. Companies like European Ferries blame Sealink and Seaspead for dragging fares to unprofitable levels.

Hoverspeed, the company being formed from the Seaspeed-Hoverlloyd merger, is to develop Ramsgate as a base for the overhaul and refit of the six craft which will make up its fleet. Hoverlloyd operates from Ramsgate and Seaspeed from Dover.

Air link for Liverpool

GENAIR, the private British airline, is to introduce scheduled air services from Liverpool to London (Gatwick) and to Glasgow.

From today, two round trips a day to Gatwick will be operated with a flight time of 70-75 minutes. Existing services to London (Heathrow), operated four times a day by British Midland Airways, will continue.

Air Ecosse, which operates Liverpool's Aberdeen/Edinburgh service, will introduce a Glasgow route on August 30.

● A total of 536,220 passengers used Manchester international airport in June, a 12 per cent increase over the same month in 1980.

C. & J. Hirst acquires mills

C. & J. HIRST & SONS, the privately-owned Yorkshire textile group, is acquiring from the Mountleigh Group its Leigh Mills subsidiary based in Pudsey, West Yorks. The deal is worth about £500,000. Leigh Mills exports 80 per cent of output and concentrates on worsteds for apparel. Its manufacturing operations will be transferred to C. & J. Hirst, a tweed manufacturing specialist.

C. & J. Hirst's annual turnover is about £3m. The company said the deal would improve the job security of its 200 employees. About 20 skilled workers and managers from Leigh Mills will join C. & J. Hirst.

Manchester makes bid for EEC trade mark jobs

BY RHYS DAVID

MANCHESTER would like to be the home of the new trade mark office, to be established by the EEC, and is asking the Government to press its case with the Brussels Commission.

An EEC-wide trade mark system is being considered by the Commission, which has selected another "non-capital" city—Munich—as the centre for the European Patent Office.

Although the UK trade mark office is in London, a separate section has existed for many years in Manchester to handle textile trade marks.

Mr. Hamish Macdonald, president of the Manchester Chamber of Commerce, says in a letter to the Department of Trade that the choice of Manchester—if the new office was to be in Britain—would create valuable jobs. Manchester has excellent communications and, compared with London, much lower property costs, he argues.

The chamber has said also that it is organising a trade mission to Argentina and Uruguay in November.

Commuters criticise South East rail service

By Lynton McLain, Transport Correspondent

RAIL COMMUTERS in London and the South East think they pay too much for train services and more than eight out of 10 commuters say they would not be prepared to pay more for better services, according to a survey published yesterday by the Consumers' Association.

The survey of 4,000 commuters in the London area showed that "punctuality, cleanliness and prompt information when things go wrong" are the most important requirements for commuters. Half of the sample thought that BR spent too little on its commuter services.

Unreliability was the major cause of dissatisfaction. The majority of travellers surveyed had experienced at least one cancelled, late or early train in the month before the survey.

The association predicted that the effects of the Greater London Council's plans for cutting London Transport fares through higher GLC rates would have "unpredictable consequences for British Rail and transport in the counties around London."

"Major improvements to the rail service must involve substantial and sustained investment," the Consumers' Association said in its report. Nevertheless, the report pointed out that the earlier Monopolies and Mergers Commission report on BR's London and South East commuter services showed that BR could find ways of "greatly increasing consumer satisfaction by making more use of existing resources."

The Consumers' Association also highlighted the problem of overcrowding—up to one passenger in five had difficulty in finding a seat. The Essex and Hants-Surrey lines had the worst seating record. Morning trains singled out as particularly crowded were from Ilford, Gravesend, Surbiton, Sevenoaks, Shenfield, Farnborough, Chelmsford and Guildford.

Track Record, a report on British Rail's commuter services in London and the south east, the Consumers' Association, Caxton Hill, Hertford SG13 7LZ.

● The quality of Cardiff City Transport bus services has improved since CK Coaches, the first private operator allowed in Cardiff under the competition provisions of the 1980 Transport Act, started services in April, the Welsh Consumer Council said yesterday.

The Act allowed private operators to be given the chance to start new services in the face of local authority monopolies on bus services.

However, the council said Cardiff City Transport did not appear to be making the same efforts to improve its services on those routes where there was no competition.

The Welsh Consumer Council is to send the results of its research to the Monopolies and Mergers Commission which is to investigate local bus services, including Cardiff City Transport.

Hint of optimism for Welsh industry

BY ROBIN REEVES, WELSH CORRESPONDENT

THE DECLINE in overall demand and output in Welsh manufacturing industry appears to have halted. But there are no signs of a general recovery in orders and output over the next four months, according to the latest CBI Wales quarterly industrial trends survey, published yesterday.

Optimism among participants in the survey about prospects in their own industries has improved slightly for the first time since April, 1979.

In contrast, optimism about export prospects continues to decline at a more noticeable rate than in the preceding three surveys. New export orders were reported to be falling and further declines are expected.

The survey also found that investment intentions remained weak and that destocking is still occurring at a modest rate.

The survey predicts that there will be further reductions in numbers employed over the coming months. Unemployment in Wales is 161,000, or about 14 per cent.

Over the past four months, 27 per cent of companies in the survey reported a rise in their volume of output, compared with 25 per cent which reported a decline. This was the first time since January 1980 that the percentage of companies experiencing a rise exceeded those experiencing a fall.

About 29 per cent of companies were more optimistic about business prospects than four months ago, 52 per cent reported no change and 19 per cent were less optimistic. This recovery in optimism is more pronounced in the UK as a whole. On numbers employed, 12 per cent reported an increase in the past four months, but only 2 per cent forecast a rise in the next four months, and 39 per cent expect a decline.

Shipper wins right to appeal over waiver

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

ITALMARE SHIPPING COMPANY can appeal against an arbitrator's ruling that it waived its right to be given 48 hours notice of withdrawal of a vessel it had chartered, the Court of Appeal has ruled.

Lord Denning said that the alleged waiver, the withdrawal clause in the charter party and the "anti-technicality" clause requiring the owner to give 48 hours notice, were all points of importance in commercial law.

The court dismissed an appeal by Ocean Tanker Company Inc., of Monrovia, owners of the chartered vessel, against Mr Justice Goff's decision to give Italmare leave to appeal against the arbitrator's ruling.

Lord Denning said that instead of paying one of the hire instalments, Italmare had claimed to make deductions from it for the estimated cost of bunkers and disbursements.

As soon as Ocean received that claim it withdrew the vessel, without giving the 48 hours notice required by the anti-technicality clause.

The arbitrator held that by claiming deductions Italmare had waived any need for 48 hours notice.

Lord Denning said that Italmare's claim did not dispense with the need to give notice.

His disagreed with the arbitrator that a reasonable owner would have been entitled to take the view that 48 hours noice would have served no useful purpose in view of the charterers' declared intention to make no payment.

The purpose of the anti-technicality clause was to warn charterers that if they did not pay within 48 hours the vessel would be withdrawn.

In 99 cases out of 100 charterers would pay up within the 48 hours rather than have the charter forfeited.

So the notice ensured justice to both sides, said Lord Denning.

Republicans may force poll

Our Belfast Correspondent looks at the hunger strikers' tactics

HUNGER STRIKE supporters and members of the Republican movement are expected to take at least a week to decide whether to force a second by-election in the Irish Republic through the resignation of Mr Paddy Agnew, who is in the Maze Prison.

Dr Garret FitzGerald's Coalition government faces the prospect of having its slender majority in the Dail (Irish parliament) reduced if the Opposition Fianna Fail Party, as predicted, wins the by-election caused by the death of hunger striker Kieran Doherty, who died on Sunday after 73 days of fasting. Mr Doherty was elected to a seat in the Cavan-Monaghan constituency in the June general election.

Fianna Fail will have another golden opportunity if Mr Agnew resigns his Louth constituency seat. The Irish Government, surviving by the votes of uncommitted independent members, might decide to go to the country.

H-Block supporters cannot hope to keep their hold in the Cavan-Monaghan single seat by-election. In June, Fianna Fail won three of the constituency's five seats under the proportional representation voting system.

The Dail returns from its summer recess in October and the by-election is not expected until the following month.

It might be to the advantage of H-Block supporters to try to force a new general election in which they could field more candidates with improved chances of election.

They can also afford to delay a decision on Mr Agnew's seat in the hope that the threat hanging over the Irish Government might persuade it to take a stronger line with the British Government over the hunger strike crisis.

Mr Agnew, in a statement smuggled from the prison yesterday called on members of the Dail to support the prisoners but said nothing about the future of his seat.

In county Londonderry masked members of the Irish National Liberation Army fired shots over the coffin of Mr Kevin Lynch, the hunger striker who died on Saturday.

His place was taken yesterday by Mr Liam McCloskey, 25, who is serving 10 years for conspiracy to steal weapons from the security forces.

A new committee formed to help solve the crisis and chaired by Cardinal Tomas O'Fiaich, has called a meeting on Friday of the relatives of the hunger strikers and 400 other protesting prisoners. There was no sign that other relatives might follow the lead of the family of Mr Patrick Quinn who asked doctors to save his life after 47 days without food. He is now recovering in hospital.

● The death of Mr Kieran Doherty has led to renewed calls in Dublin for the British Government to try to settle the hunger strike, writes Our Correspondent in Dublin.

Miss Sile de Valera, a Fianna Fail member of the European Parliament, said the Irish Government should expel the British Military Attache as a token protest over Britain's handling of the affair.

Mr John Kelly, the Foreign Minister, said the British response to Dublin's diplomatic efforts had been "very disappointing." The Opposition Leader, Mr Charles Haughey, said he, like many people, was becoming increasingly angry that the situation was being allowed to continue.

Mr Kelly said again yesterday that the British Government does not seem to take the situation as seriously as its Irish counterpart.

Miss de Valera's remarks are the nearest any member of a major party has come to supporting the H-Block campaigners' call for the breaking of diplomatic relations.

Mr Kelly said the IRA was anxious to twist the Dublin Government's arm but would not listen to its advice to call off the strike.

Hugh Routledge

Mrs Margaret Thatcher welcomes President Anwar Sadat of Egypt to No 10 Downing Street yesterday

Call for industrial zones on waterways

By Lynton McLain, Transport Correspondent

NEW, SHORT lengths of waterway should be considered as a focus for industrial development, the National Waterways Transport Association said yesterday in a paper on the role of waterways in regional and local planning.

The paper called for the zoning of waterside land for industrial use and the encouragement of suitable industry to site premises by waterways.

The association said inland waterways could play a "significant role in fulfilling national transport needs at relatively low cost and in helping to further national, regional and local planning policies."

However, to do this at national level it is important to remove the "disparities and anomalies" in transport planning and finance practice, which put waterways at a disadvantages compared with other modes of transport.

Barclays launches in-store banking

BARCLAYS BANK is experimenting with a service which would enable bank customers to draw cash from large stores. The service, already provided by some banks, reflects the banks' awareness that inconvenient banking hours have dented the banks' appeal to customers.

Holders of Barclays Bank cash cards or Barclaycards will be able to [illegible] to £100 in cash daily at the Mainstop Superstore in Wymondham, Suffolk. The store is open until 8 pm on most shopping days.

Barclays Bank and the store owner are splitting the cost of the service, known as Barclays Supercash. A second installation is planned for Peterborough. The Supercash machines are much cheaper and simpler than the automatic Barclaybank machines, which cost up to £30,000 each.

Work starts on Bowater plant

BOWATER CONTAINERS, Britain's second largest maker of corrugated cases, yesterday began work on a £7m factory at Hinckley, Leicestershire, to make heavy-duty packaging. It is due to come into production next year and will employ 110 people.

With an annual turnover of £83m, Bowater Containers accounts for half the turnover of the Bowater Group's packaging division.

Tap on private savings proposed in Labour's strategy for reflation

BY IVOR OWEN

LABOUR'S alternative economic strategy looks to the mobilisation of private savings to provide the initial stimulus for launching a massive programme of reflation.

The Socialist Alternative, a policy document to be submitted for approval to next month's Labour Party conference by the National Executive, rules out a tax-raising emergency budget as the weapon of first resort for an incoming Labour government.

In the longer-term, the document restates the commitment to introduce a wealth tax, envisages more direct government intervention in industrial planning, and confirms withdrawal from the EEC and the abolition of the House of Lords as prime objectives.

Reaffirming the commitment to use higher public spending to improve services, provide jobs and reflate the economy, the NEC admits that the first question it faces is "How will it be paid for?"

The document insists that the first boost to public spending does not mean higher taxation: an increase in the tax burden would limit the pick-up in demand, because "people who pay taxes will spend less."

Therefore, the argument runs, "the initial boost to public spending must be paid for by borrowing money from people who choose not to spend it—from private savers."

Any addition to the public sector borrowing requirement will be reduced quickly as spending generates new wealth and comes to pay for itself, it argues.

In an example of how Labour hopes to finance new projects in the public sector, the document describes how a new hospital could be financed by selling government debt.

It says more jobs would be provided by the project, cutting the burden on state benefits and increasing consumer spending, "so creating further jobs and adding to indirect tax revenues."

The NEC says a whole range of public sector projects could be financed in the same way.

The document acknowledges the need to ensure that the additional spending power does not suck in more imports of manufactured goods, leading to a new balance of payments crisis.

To counter this, the NEC urges that the exchange rate should be brought down to improve the competitiveness of British industry, and the establishment of import controls.

It is envisaged that import penetration ceilings will be set on an industry-by-industry basis across a broad range of sectors, so that trade planning can be used to support industrial planning and economic expansion.

"Import penetration ceilings will be enforced by a range of measures, including tariffs and quotas where necessary."

A return to regulation of capital movements is also promised, with the system of exchange controls — abolished by the Thatcher Government soon after taking office — restored to at least their 1979 level.

Lesson in finance for Heseltine

BY CHRISTINE MOIR

REPRESENTATIVES of the leading investing institutions will leave their cheque books firmly behind today when they tour Merseyside with Mr Michael Heseltine, the Environment Secretary.

The banks, building societies, insurance companies and pension funds have responded politely to Mr Heseltines call for them to discuss Merseyside's investment needs and problems in situ. Most are sending a chief executive, general manager or senior executive.

However, the institutions will make it clear to the Environment Secretary that they are there to look and listen—not to make "political donations," as one fund manager put it yesterday.

"We hope that Mr Heseltine will also be in a listening mood." one general manager added. "We have responsibilities to our shareholders and beneficiaries. We cannot invest in something where the next person to walk in would be the liquidator."

Some of the insurance companies and pension funds are sending chief executives or chairmen of boards of trustees. Others are sending their senior property executives — fully briefed on investments already made in the region and details of how they have performed.

One Scottish investment manager remarked: "There are other places in Britain whose problems are as severe as Merseyside."

In any case, chief executives and investment managers are "not in a position to write blank cheques." All investments are subject to scrutiny by investment management committees and must confirm to strategies laid down by their boards or boards or boards of trustees.

A number of those invited privately expressed a degree of bitterness at being dragged into the social and political problems of riot-torn-Toxteth.

Their opinion was underlined by the investment manager of a major pension fund which has not been invited on the tour. "I'm glad I didn't get the call. What can any of them do?" he said.

Clydebank revival scheme launched

BY MARK MEREDITH, SCOTTISH CORRESPONDENT

THE GOVERNMENT and the Bank of Scotland have set up a £500,000 enterprise fund for Clydebank. The announcement was made by Mr Alex Fletcher, Minister at the Scottish Office, yesterday when he formally opened the Clydebank Enterprise Zone, an experimental project to attract industry to deprived inner city areas.

The enterprise fund is designed to provide risk finance for small businesses. A £250,000 contribution from the Bank of Scotland will be matched by an equal amount from the Scottish Development Agency.

Unemployment in Clydebank is about 18 per cent and it is hoped that industry can be lured by the creation of the zone, with offers of rate exemptions, fiscal allowances and the fact that developers will not need planning permission for most projects.

The zone, Scotland's first, straddles the boundary between Clydebank and Glasgow and when designation orders by both district councils are approved, 472 acres will be set aside for development.

Mr Fletcher said yesterday that the Government was looking at two other industrial areas in Scotland with a view to setting up further enterprise zones.

Since July last year, when the formation of the Clydebank Enterprise Zone was announced, more than 45 companies with potential for 600 new jobs in the area have either expanded operations in Clydebank or been attracted to it, said Mr Fletcher.

Already in Clydebank the former Singer works has been turned into a business area catering for small industries.

Japan may launch drug sales drive in Europe

By Sue Cameron

JAPAN MAY be preparing an assault on Western drug markets similar to those it launched against the U.S. and European car industries, warn two reports published under the aegis of the UK Office of Health Economics.

Both reports suggest Japan is protecting its domestic drug manufacturers and allowing them to charge high prices so that they can build up the reserves they need to attack Western markets.

The first report, written by Dr Duncan Reekie, of the Department of Business Studies at Edinburgh University, claims that pharmaceutical companies' profits are twice as high — on average — in Japan as in the U.S. or Europe. Dr Reekie's findings are based on a study of eight major European and U.S. manufacturers.

The second report has been written by Mr Otto Novotny, a lawyer and economist from the Swiss-based Hoffmann-La Roche group, and Mr George Teeling-Smith, director of the Office of Health Economics.

Thatcher delays gas network talks

THE PRIME MINISTER was yesterday forced to postpone a planned meeting with Treasury and Energy Department officials to discuss the financing of the UK's projected £2.7bn North Sea gas gathering system Energy.

The meeting was cancelled at the last minute because Mrs Thatcher had a particularly tight schedule which included talks with President Sadat, of Egypt. The meeting is now expected to be held later this week.

Royal Mint sales rose last year

SALES by the Royal Mint in the year to March 31 amounted to £93.5m, against £70.2m in the previous 12 months. Some £51.6m were made overseas last year, compared with £42m in the year to March 1980, according to the Royal Mint Trading Fund Accounts for 1980-81.

Clothing factory axes 200 jobs

MORE THAN 200 employees of Ideal Clothiers of Wellingborough, Northants, were told they had lost their jobs when they returned from two weeks' holiday yesterday. The news had been kept from them earlier in case it upset their holidays.

'Inaccurate' attack on British Airways losses is rejected

BY BARRY RILEY

TOP EXECUTIVES of British Airways yesterday dismissed as inaccurate most of the figures in an anonymous report criticis- the airline's policies.

The report, claimed to be the work of a group of senior managers, has been sent to newspapers and Ministers.

The executives said the report's suggestions of losses at Gatwick of over £20m were "much too high."

Allegations of high losses on Concorde operations were untrue. The actual operating loss on Concorde in the year to last March was only £2m, and BA had budgeted for an operating profit of £4m this year.

Although the air traffic control dispute had made this target unattainable, the airline still hoped for a small operating profit on Concorde.

Suggestions that the "yield" on seats sold was running 10 per cent below budget were denied. The yield in June was said to be almost on target.

The executives also claim to be puzzled at the report's claim that 20 per cent of BA's international services are unprofitable and should be dropped. Last year, in fact, most routes were unprofitable. Even in good years, they say, it would make commercial sense to run many developing routes at a loss, with a view to the long-term potential.

However, the executives confirm that the airline has too many pilots. Around 450 out of a total of 3,000 are no longer required. This is because of fewer flights and the introduction of new aircraft.

Of the surplus pilots, some are on secondment but 200 are at home on basic pay, subject to a month's recall. The airline says it is not its policy to declare compulsory redundancies, and the pilots will be required in three or four years because of retirements and projected growth.

The BA executives deny that there are serious weaknesses in the corporation's management structure, which comes in for severe criticism in the report. Suggestions that the airline should be split up again on the lines of British European Airways and British Overseas Airways Corporation are dismissed.

"There are no plans and no intentions to go back to the old structures," one of the most senior executives said yesterday.

The anonymous report has been circulated just ahead of the publication of British Airways' own annual report for 1980-81, due to be published on Friday. It is expected to show that the corporation made a pre-tax loss of well over £100m, despite profits in a number of non-airline activities.

In recent years BA has been plagued by a series of anonymous statements by self-proclaimed "moles" in the organisation. According to BA, a man named Mr M. J. Taylor was concerned with these releases, and in May this year the airline asked for a High Court injunction against him.

The defendant gave various undertakings about his future activities, though he denied most of the allegations against him.

Mr Taylor had been convicted in 1977 of posing as an aircraft captain and obtaining cheap travel. But he has never been an employee of BA.

The "mole" reports ceased to appear about a year ago. There is no suggestion that the latest anonymous report stems from similar sources, and yesterday British Airways was still seeking a copy to study it.

Co-op movement slump continues as market share shrinks again

Co-operative outlets' share of the total retail trade last year fell to 6.4 per cent. DAVID CHURCHILL reports

BRITAIN'S High Street co-operative retail societies are going through one of their worst ever trading periods, according to new provisional statistics showing the Co-op's trading performance.

The figures, produced by the Co-operative Union, show that the retail societies' share of total retail trade fell from 6.7 per cent in 1979 to 6.4 per cent last year.

Five years ago the Co-op's share of total retail trade reached 7.1 per cent, but it has since steadily slipped back.

The figures also show that the trading surplus for the 187 independent retail societies operating in 1980 fell to £96m from £113m in 1979.

Almost a fifth of all retail societies produced a trading loss in 1980, according to the union's figures, with the two largest losses coming from retail societies in the south-east. The Royal Arsenal society produced a trading loss of nearly £2m and the South Suburban lost £1.5m.

Both these societies are now involved in merger talks to create a new society with total annual sales of more than £250m. Detailed proposals are being worked out by the two societies to examine the potential benefits from rationalisation of services and increased trading strength.

If these discussions are successful, then the merger decision would be put to members in September. However, it is by no means certain that the merger will go ahead even if the logistics of such a move suggest that link-up is in the best interests of both societies.

Merger talks have floundered before at a late stage as a result of societies being unwilling to give up their independence.

Last year the London Co-operative Society, the second largest retail society, was forced after four years of trading losses to seek a merger with Co-operative Retail Services.

The CRS is traditionally the retail movement's "ambulance" for societies in trading difficulties and, perhaps not surprisingly, has now grown to become the biggest co-op retail force. The CRS had a turnover of increases in other expenses. £580.4m last year, employed almost 14,000 people, and produced a trading profit of £16.2m.

The reasons for the co-op movement's overall slump in retail trade in 1980 are clearly spelt out by the Co-op union's figures. They show that while total turnover for all retailers rose by an average of 14 per cent last year—and for large retailers it was 16 per cent—the growth in sales for the retail co-ops was only 12 per cent.

Thus while the co-ops still managed to outperform the small retail outlets, they continued to lose ground to the large multiple chains which are steadily increasing their hold on retail markets.

In 1980, the co-op union says, "the effects of the economic recession can be clearly discerned." Gross margins were cut back and although personnel expenses ratios were contained, there were considerable increases in other expenses.

Little has happened so far this year to suggest that the pressures on the co-ops are easing. If anything, the trading pressures are getting worse as the market becomes more competitive during the economic recession.

In previous recessions, the co-ops still retained some of their traditional advantage that consumers "traded down" to the co-ops when the going got tough.

But the changes in retail patterns over the past decade has blurred the difference between the co-ops and other retail chains, so that consumers are as likely to trade down to other stores with "low-price" images such as Tesco or Asda.

Yet the co-op's problems are not entirely the result of the current economic recession. They reflect the dilemma facing the movement over the viability of its unique co-operative structure.

Each of the 170 or so retail societies—mergers have reduced the total over the past year—is an independent organisation owned by its customer-members. Societies are traditionally fiercely independent and this has hampered rationalisation in the past.

Each society is also a shareholder of the Co-operative Wholesale Society, the manufacturing and wholesaling arm of the movement. However, societies do not have to buy from the CWS and, in fact, only buy about three-quarters of their supplies in this way.

The co-op structure enabled it to dominate the retail trade when the pattern of retailing meant there were few large multiple stores groups.

However, over the past decade, the multiples have changed the pattern of trade by their growth as a result of expansion of store sizes and new selling techniques.

The co-op's decentralised structure and large numbers of small stores, makes it difficult for the market to compete effectively with the major multiples such as Tesco or J. Sainsbury.

Yet not everyone in the movement believes it should sacrifice the principles on which it was founded just in order to compete aggressively with the large multiples.

Mr Hedley Whitehead, the Co-op Union's president, told delegates to the annual congress in June that "survival could be bought too dearly."

He said that the movement should ensure that "it is the co-operative ideals that survive—not a mere replica of any one of a dozen familiar High Street names."

TOP TEN RETAIL CO-OPERATIVE SOCIETIES 1980

	Turnover £000	Annual change %	Employees
C.R.S.	580,406	+16.4*	13,948
North Eastern	183,404	+21.7*	4,664
Royal Arsenal	159,493	+ 5.5	5,308
Greater Nottingham	139,848	+19.5*	4,111
Greater Midlands	115,941	[illegible]	4,196
Leicestershire	108,667	+15.4*	2,818
CWS Retail (Scotland)	n.a.	[illegible]	n.a.
Greater Lancastria	97,683	+10.0*	2,587
Portsea Island	87,969	+15.3*	3,402
North Midland	85,776	+19.6*	1,689†

* Adjusted for differing length of corresponding period.
† 1979 fig.

Source: Co-operative Union

Ambulancemen accept 7.5% deal

BY PAULINE CLARK, LABOUR STAFF

THE LAST serious threat to this year's Government public sector pay policy ended yesterday when unions representing 17,000 ambulancemen agreed to accept a 7.5 per cent differential pay increase over 15 months.

The pay rise is in line with settlements reached throughout the health service in the 1980 wage round, although it is lower than the 7.5 per cent 12 month award to civil servants.

The ambulancemen's unions also agreed yesterday to hold meetings with management to achieve an all-in salary structure like firemen and police, with whom ambulancemen are seeking comparison as emergency workers.

The four unions in the ambulance service reconciled themselves last month to accepting a deal tied to the 6 per cent cash limit set for the health sector this year, after failing to secure an improved offer through industrial action.

Final agreement was delayed, however, because of an inter-union wrangle over which of four formulas on offer should be accepted.

Yesterday's decision in which the National Union of Public Employees, representing about two-thirds of ambulance workers, was out-voted by the other three unions, means that the ambulance service settlement date will next year be moved to March/April, in line with most health service workers.

Nupe had argued for an across the board 6 per cent rise because it believed it would be more difficult to argue separate status in future if ambulance workers had to negotiate alongside other major health service groups.

But the Confederation of Health Service Employees, the General and Municipal Workers Union and the Transport and General Workers Union favoured a 15-month deal as cash limits could be even tighter in the next wage round and ambulancemen would benefit if they were covered for the first three months of next year by a 7.5 per cent rise.

The award which includes an extra day's leave for most ambulancemen raises weekly basic rates for a qualified ambulanceman by £5.94, giving average earnings outside London of £142 on a new basic of £82.64 a week.

The final lap of the health service wage round will not be concluded until later this month when union leaders of more than 100,000 "hospital" administrative and clerical staff will press for restored pay links with civil servants.

The group, largely represented by the National and Local Government Officers Association, has so far rejected a 5.9 per cent rise on all salary points plus another 0.1 per cent for restructuring.

Soviet oil 'being landed' at BP plant

By Our Labour Correspondent

A UNION yesterday challenged Mr David Howell, the Energy Secretary, to deny that Soviet oil was being landed at the Isle of Grain terminal to substitute for oil from the BP refinery there.

The refinery is to close at the end of next year with the loss of nearly 1,700 jobs.

The challenge came from the Association of Scientific, Technical and Managerial Staffs as union officials from the refinery met senior BP executives for talks on the closure.

Mr Roger Ward, the ASTMS national officer, said that the company had said in talks with union officials in May that it had a contract for the purchase of Soviet oil.

It was not known, however, if the oil would be used in the Isle of Grain power station, one unit of which is now on stream.

Mr Ward said: "This major site could become completely dependent on Russian supplies. The Government's stake in BP was taken for strategic reasons, and thus should avoid this kind of arrangement."

The union has also called for "a round-table" conference involving unions, Government and oil companies to discuss future oil company strategy and employment.

Mr Ward said that the unions "are going to fight this closure very forcibly."

He added: "We will tell the Secretary of State that it is his responsibility, because of his acquiescence in the policies of the multinational oil companies."

The union has sharply criticised the lack of consultation over the closure, saying that its local officials were not consulted.

World metalworkers praise BBC

BY OUR LABOUR CORRESPONDENT

THE BBC, often criticised by trade unions and Labour politicians in the UK, has been praised by an international trade union body representing some 14m workers.

Mr Herman Rebhan, general secretary of the International Metalworkers Federation, has written to Lord Carrington, the Foreign Secretary, protesting at the Government's decision to cut the BBC External Services.

Mr Rebhan said: "It would be difficult to exaggerate the good work that BBC External Services in the vernacular achieve. I have nothing against diplomats, but you could trim most of our embassies by half and it would not have the same effect as your proposed cutbacks for the BBC".

He said the removal of the Spanish service is "particularly distressing at a time when that country so urgently needs calm, honest and accurate news which would not be interrupted in the event of a crisis". He protested also at cuts in the services to Brazil.

"Free trade unions and free media are among the essentials for democratic development. It seems tragic that when democratic values are under so much threat in so many parts of the world, you are substantially reducing the availability of free journalism. I ask you to think again."

Robots cause unemployment but are necessary, unions decide

BY JOHN LLOYD, LABOUR CORRESPONDENT

THE USE of industrial robots has already caused unemployment in several advanced countries, according to a survey by the International Metalworkers' Federation.

The survey, taken among the federation's affiliated unions in the U.S., Japan and Western Europe, shows most unions believe introducing robots into production will bring redundancies immediately.

None, however, has adopted a policy of resistance to robots and many think the pressure of competition makes them necessary and believe they will improve the working environment and wages.

Displacement of labour has so far been slight, as the first wave of robots has only just begun to be used. In Japan, where their use is most advanced in the world, unions say workers displaced by the technology have, in general, been reassigned to other jobs.

In the U.S., by contrast, the 85 paint-spraying robots introduced by General Motors' plants between 1977 and 1980 have caused the loss of 211 jobs. The U.S. car industry estimates that the man-hours taken to produce a car will drop from 146 in 1976 to 103 by 1990.

General Electric, the world's biggest electrical company, says it could quickly replace 2,000 workers by using robots, and may eventually replace as many as 18,000, according to the survey.

In France, union officials have observed a fall of employment of about 30 per cent in plants where robots have been installed. However, the Force Ouvrière reported that robots had "not yet created significant unemployment problems."

In Denmark and Finland, no reduction of employment has been reported, because the plants where robots have been introduced are expanding production. In Finland, the unions report a growth of employment —because many workers have been hired by the robot industry.

Several unions also expressed concern at the loss of skills, coupled with a need for rapid retraining. The survey notes: "Some studies indicate a marked decline in the number of semi-skilled jobs, only a slight increase in the number of highly skilled jobs and constant increase in the demand for the most highly skilled workers."

Some affiliates believe increasingly automated plants will erode traditional areas of union strength.

Among the most positive responses came from the West German metal workers union, I G Metall. The union says: "There should be a shift from a defensive strategy against rationalisation to an active strategy

"Engineers and economists must observe the positive and negative effects of new technologies and make suggestions for production of new items and for new production processes, so as to guarantee the social acceptability of innovations."

ICI staff agree to 8.5% rise in basic wage

By Our Labour Correspondent

UNIONS REPRESENTING the 23,000 white collar workers at ICI have agreed to wage increases which would raise their basic rates by 8.5 per cent.

The manual workers' unions, of which the largest is the General and Municipal Workers' Union, are presently completing a ballot on a similar offer, which they had previously rejected.

The largest white collar union, the Association of Scientific, Technical and Managerial Staffs, said yesterday that the ICI offer amounted to a double-figure settlement. Besides the 8.5 per cent rise in basic pay backdated to June 1, the company has agreed to consolidate a minimum 6 per cent productivity payment.

Mr Roger Ward, chief ASTMS (staff) negotiator, said it was a "very fair" settlement.

State blamed for gas price rises

BY OUR LABOUR STAFF

THE BIGGEST union in the British gas industry yesterday launched an intensive campaign aimed at giving wide publicity to the effects of Government policy on gas price rises.

Mr John Edmonds, national industrial officer in the General and Municipal Workers' Union, announced plans to distribute about 500,000 leaflets to gas consumers over the next two months. The leaflets accuse the Government of operating a "racket" to raise money.

The union's target is the Gas Levy Bill which it says has been "quietly slipped through Parliament" to enable the Government to cream off £1.3bn of gas industry profits over 2½ years.

Mr Edmonds said the aim of the campaign was to impress on the public that the proceeds of gas price rises are not going into gas workers' pay packets.

The union would give its members the leaflets to distribute but whenever they visited gas consumers' homes to read meters or service equipment and were asked to explain why gas prices were going up despite last year's £380m Gas Corporation profit.

Because of the lack of publicity about the Gas Levy, the public believed gas price rises must be due to inefficiency or to high wages for Gas Corporation employees.

Prices were going up because of the levy which was "a convenient way to tax the public through their quarterly gas bills."

It was a method which gas workers disliked as much as consumers. Wages as a proportion of costs were said to have fallen significantly over the past 10 years to 23.5 per cent. Average earnings of manual workers are now £130 a week.

The leaflet campaign is designed to counteract what the union claims has been a deliberate move by the Government to try to prevent the British Gas Corporation publicly blaming the Government for price rises.

Mr Edmonds added: "We view with disquiet information from the Gas Corporation that they have been told not to emphasise that price rises are the result of a government decision."

The leaflet urges consumers to complain to their MPs or to Mr David Howell, Secretary for Energy. It points to two gas price rises this year — 15 per cent in April and 10 per cent from August — and a further two likely rises next year — 12 per cent from April and 10 per cent from October.

The campaign is being backed by the British Pensioners and Trade Unions Action Association

APPOINTMENTS

Managing director for Alcoa Manufacturing

Mr Alan Aylesbury has been promoted managing director of ALCOA MANUFACTURING (GB), Swansea, and a director of ALCOA OF GREAT BRITAIN. Mr Aylesbury, who was appointed deputy managing director in March takes over from Mr J. T. Hobbs Jnr, who has retired.

★

Mr David Probert and Mr Fred Essex, respectively chief executive and deputy group managing director of W. Canning, have been appointed non-executive directors of MARSTON LUBRICANTS which was recently acquired by W. Canning.

★

Mr Roy Towell has been appointed a director of BEECHWOOD CONSTRUCTION (HOLDINGS). Mr Towell joined the company in July as managing director of the mechanical engineering division and chairman of the division's three subsidiaries, Wellfield Engineering, Spencer Harris and Grainger Hydraulics.

★

COUNTY BANK has appointed Mr David K. Dodd regional director Far East. Mr Dodd was international marketing director and London representative for Cedel SA.

★

Mr J. W. Baxter has been appointed to the board of FIELD AVIATION, a wholly-owned subsidiary of Hunting Associated Industries, as financial director.

★

Mr Arnold Tyldesley has been appointed to the board of TOOTAL. His duties will include responsibility for the group's corporate planning department as well as pensions, property and public relations. He will also be chairman of the trustee companies and investment committees of the group's principal pension schemes. Mr John Tetlow, deputy group secretary, will succeed Mr Tyldesley as group secretary and Mr John Cashin has been appointed assistant group secretary.

★

CHILTERN FINANCIAL SERVICES has appointed Mr Dennis Tapper group tax director of GRINDLAY'S BANK as executive chairman from August 7.

★

Mr J. T. Weldrick has been appointed a director of WM. NEILL AND SON (ST HELENS), a member of the Capper Neill Group.

★

Mr Eric C. Perry has been appointed group financial director and secretary of UESCO MANUFACTURING COMPANY. He was chief accountant of British Hovercraft in Cowes, Isle of Wight.

★

GRINDLAY'S BANK has made the following appointments: Mr C. P. P. von Westenholz becomes director of the capital markets department, and Mr T. C. W. Ingram director of the Eurocurrency department.

★

Mr Anthony Main, deputy managing director, has been appointed managing director of CONCENTRIC CONTROLS, Birmingham, a division of the Sutton Coldfield-based engineering group. He succeeds Mr V. C. Miles who, as a parent board director since 1965, now assumes full time responsibility for the development of new markets and new products.

★

Mr C. K. Kington has been appointed a director of BELL AND HYMAN.

★

Mr M. A. O'Loughlin has been appointed a director of CHLORIDE GROUP. Mr O'Loughlin joined Chloride on June 29 as chairman of Chloride's European operations and was previously managing director of Pye Telecommunications.

★

Mr Tom Rickett has been appointed chief executive of TELECOMMUNICATIONS LTD, Finglas, Dublin, from August 24. Telecommunications is the Philips antenna and test equipment company in Ireland.

★

Mr Wilson J. C. Braun Jr has been appointed general manager of the London branch of FIRST PENNSYLVANIA BANK and Mr Thomas H. Kirker has been appointed manager of the loans department in London.

★

Following the changes of shareholdings in SAVE AND PROSPER GROUP (S and P) resulting in Robert Fleming Holdings (RF) obtaining a controlling interest, the following appointments have been made from August 10: Mr D. H. Maitland (chairman) will become a non-executive director of S and P while retaining his seat on various subsidiary boards and committees. Mr C. J. Messer (managing director) will become executive chairman of S and P. Mr P. J. Manser (investment director) and Mr R. J. Hebblethwaite (commercial director) will become managing directors. Mr R. J. Squires (group actuary) and Mr P. T. Bateman (development manager) will be appointed to the board of S and P.

Mr J. Burnett-Stuart (chairman of RF) will become deputy chairman of S and P and Mr D. Thomas (deputy chairman of RF) will join the board of S and P.

★

GAFFNEY CLINE AND ASSOCIATES, has appointed Mr Frank Gosling senior geologist and Mr Chris H. Bayly, senior economist.

★

Mr George Cliffe has been appointed to the board of TARMAC ROADSTONE (SOUTHERN). He is general manager of the East Midlands area.

★

Mr James W. Cook has been appointed finance director of IPC BUSINESS PRESS from September 1. He was previously director of finance, Unigate.

★

STEPHENSON BLAKE (HOLDINGS) has appointed Mr Peter G. F. Lancaster as group secretary.

★

DAVIES MAGNET WORKS has made the following appointments following the death of chairman and managing director Mr P. M. Davies: Miss K. R. Davies is chairman of the company; Mr J. F. Davies vice-chairman, and Mr C. Greenall, director and secretary, becomes managing director. Mr J. Tattersal and Mr P. J. Hillyard, sales manager and works manager, become sales and works directors respectively. Miss J. A. Bywater is appointed company secretary.

★

Mr Colin Day, the managing director of Henderson Pension Fund Management has been appointed to the board of HENDERSON ADMINISTRATION.

★

BARTLETT AND CO. has appointed Mr Donald Armitage as financial director. Mr Armitage was formerly senior partner with Binder Hamlyn, chartered accountants. Mr Allan Daffern, managing director of Bartlett Life and Pensions has been appointed assistant managing director of the Bartlett Group. Mr R. D. Peat has been appointed director of Bartlett Life and Pensions.

TECHNOLOGY

EDITED BY ALAN CANE

MR S. SATO, Communications Manager of Mitsui, with one of six CR-3000 message entry display terminals installed by Mitsui Computers.

Kanban—means just in time, in Japanese

BY ALAN CANE

THE JAPANESE word Kanban, loosely translated means "just in time." It is used to refer to a stock control system so tightly organised that Western observers are amazed to see the minute stock levels carried by companies such as Toyota.

In the UK, we would probably call it "muddling through," but Mr James Heward of the consultancy Inbucon, recently returned from a fact finding tour of Japan and the U.S. says: "We could not believe our eyes. Warehousing is very highly automated. If you supply Toyota you have to gear yourself to meet its daily delivery schedules.

"If you fail, you are in trouble—and your business depends on it."

Tightly

According to Mr Heward's report*: "At Toyota, they operate the Kanban system which enables a stock system to operate so tightly that parts are only made or delivered from suppliers exactly when they are needed.

"This enables stock levels to be held at about 1½ days with supplies coming in to a very tightly-controlled time schedule."

The Japanese way with stock levels was clearly Mr Heward's most vivid impression from his tour, but he has drawn up six chief "take home" lessons for UK industrialists.

Flexibility

Are you, he asks: Investing enough in automation?

He points out that both Japanese and U.S. experience is that with modern robotics and microprocessors automation need not mean the end of flexibility for small production runs.

At Fujitsu's Hino factory, for example, the main machine shop is fully automatic: "It has 20 machine tools, all loaded and unloaded by 19 robots.

"The only manual intervention while the system is running is to ensure that the carousels supplying parts at the correct orientation for each robot are filled, and that completed items are carried away."

● *Making investment decisions for automation on a savings basis or to secure improved market share?*

It is normal, Mr Heward found, for manufacturing industry in the electronic and engineering sectors to invest five to six per cent of gross turnover in improved manufacturing efficiency.

"Once having set an investment budget, the Japanese tend to spend within that budget and seem to pay less attention to concentrating on individual project payback than is the practice in British industry."

When Hitachi set up a completely automated assembly line for tape recorder mechanisms, it redesigned the product for easy assembly.

Mr Heward reports that 37 standard testing sequences were laid down for the tape recorder mechanism and 29 of these were carried out automatically:

Co-operation

"This automatic assembly enables 3,000 cassette units to be assembled in each eight hour shift using a total of nine operators."

● Is your workforce engaged in decision making?

Hitachi pointed out that the cassette assembly project was possible only because of close co-operation between product design staff and industrial engineering staff.

Mr Heward says: "Management tend to view employees as a scarce resource and that if people can be released from a task, this is an opportunity for increasing market share and added value."

● Are your stock and inventory levels acceptable?

Mr Heward writes of the Kanban system: "It is of great interest and worthy of detailed consideration by any company manufacturing on a flow line basis."

● Do you have a strongly directed quality policy aimed at zero defects?

Mr Heward notes: "Throughout the tour, every company stressed an emphasis on quality. This was apparent not only through extensive automatic checking techniques, but also through slogans and exhortations to workers to observe quality standards."

● Where could automatic inspection techniques be used to monitor quality without incurring labour costs?

On the Hitachi tape recorder assembly line, eight of the work stations were devoted to automatic testing.

He concludes: "The trend in Japan is strongly on investment, and foreign plants throughout the world will have to invest in a similar manner if they are to remain in business."

* *World Trends in Information and Manufacturing Technology, Inbucon and Russell Currie Travelling Fellowship fund, £25 from Inbucon on 01-584 6171.*

THE TO 2000 message entry optical character reader has cut time and labour for Telex messages at Mitsui's London office.

..POINTERS..

Bearing unit claimed to beat thermal problems

A DESIGN of bearing unit from RHP Bearings of Newark (0636 72126) is aimed at overcoming the problems of thermal instability in machine tool spindle bearings.

Called Variload, the unit provides precise adjustment of preload by applying controlled hydraulic pressure on the bearing outer ring, which is housed in the outer sleeve. The arrangement is said to eliminate thermal pre-loading and, in conjunction with built-in lubrication, helps to lower the operating temperatures.

The problem of thermal pre-loading arises because manufacturers have moved towards higher cutting speeds using newer high-speed cutting tools made from ceramic for example.

But the high speeds have caused problems because although the level of pre-load in a conventional bearing is initially fixed, high operating temperatures and internal forces combine to create an additional thermal pre-load that is unpredictable and which can affect bearing life and machine accuracy.

The unit now makes practicable bearing speeds in excess of 1m dmN (where d = pitch circle diameter of the race and N is in revolutions per minute).

Imprinter adjusts for equal clarity

PUT ON the market by Farrington Business Systems of Feltham (01-890 3693) is an electrically driven plastic card imprinter which has great flexibility in terms of the paper document sizes, thicknesses and designs that it can handle.

Any combination of single sheets and up to eight part carbon form sets can be imprinted with equal clarity it is claimed, and without adjustment. This new model 5000 automatically adjusts imprint pressure to suit the document thickness.

The user simply raises the back-hinged head, rather like a box lid, positions the credit card on the base, inserts the paperwork, closes the "lid" to give automatic imprinting and extracts documents.

Imprinting takes only seconds, is quiet, and requires no external pressure or applied motion.

Germany agreement

IN A new agreement with PME Paskovsky of Germany, Nulectrohms of Shefford, Bedfordshire, will handle PME's range of digital panel meters and laboratory equipment, which includes digital thermometers, thermocouple simulators and temperature measurement equipment in bench and hand-held form.

PME's panel instruments offer 3½ or 4½ digits in two standard sizes; available options include binary-coded decimal output in serial or parallel form. The calibration equipment includes a multimeter which can simulate thermocouples for instrument calibration, as well as measure the output of four standard types of thermocouples and platinum resistance thermometers to a high accuracy.

Details on 0462 813000.

Planning for the office revolution

MR JIM HEWARD found less to interest him in the Japanese office than in its factories. There was, he found: "Little evidence of moves towards office automation."

Nevertheless, despite language difficulties the Japanese are clearly planning for a new generation of office communications.

In London, Mitsui, the major Japanese trading company is setting up one of the most sophisticated information systems in the world.

More than 1m messages a month are already handled by the company's communications network, based on five computerised centres connected by satellite links.

Now, the company is using optical character readers (OCR) to speed the business of message transmission by Telex.

The TO-2000 message entry OCR is both used and marketed by Mitsui in the UK. Each unit consists of a processor, a video screen and a keyboard. The processor will accept messages typed either in OCR-A or OCR-B the commonly used OCR typefaces.

The message is read by the OCR machine at 333 characters a second and then transmitted directly to a message switching system or paper tape punch unit.

Message switching is simply computerised telex—the computer allows considerable flexibility in the addressing, storage and forwarding of messages.

From the Mitsui switching centres, messages can be sent rapidly to any of the company's 200 or so offices.

With the inevitable emphasis on efficiency and productivity, Mitsui points out that the London communications centre handles about 1,400 messages a day with just five operators working in three shifts.

For the future, Mitsui is planning to integrate voice and data into one global network, according to Mr S. Sato, its London Communications Manager.

He said: "We have plans for up to 30 vdus in the London office, allocated to personnel who are constantly generating message traffic.

"Our ultimate plans involve an integrated data word and communications system in the UK with equipment that is purpose built to perform this function."

Mr Sato said the final decision still had to be taken in Tokyo but he agreed the new network would be packet-switched and the messages would travel along coaxial cable in a manner analogous to the Xerox Ethernet.

Mr Jim Heward: If you supply Toyota you have to gear yourself to meet daily delivery schedules

Vibration damping compound

THE Noise Control Centre of Melton Mowbray has developed a vibration damping compound and a damping sheet to meet the increasing demand for quieter domestic, commercial and industrial equipment.

The water-based compound has many noise control applications such as machinery panels, outdoor machinery enclosures and outdoor structures.

It is specially designed for use where there is the possibility of contamination by water or coolant emulsions. The material has foil facing impervious to liquids and is easy to clean.

The vibration damping sheet incorporates an aluminised membrane bonded to its exposed surface to provide protection against contaminants. It is claimed to help solve internal acoustic treatment problems in agricultural and other off-highway vehicles.

More from The Noise Control Centre, Saxby Road, Melton Mowbray, Leicestershire LE13 1BP.

Pipework welding

A DEVELOPMENT in welding techniques for pipework is available on either short- or long-term hire from Noblehire, 17, Royce Road, Carr Road Industrial Estate, Peterborough (0733 44144).

Advantages to the users (who are given the services of a skilled engineer for instruction following commissioning) are constant control of speed to suit the application, and exact repeatability at any future date.

Positioned in seconds, the welding head comes in a range of sizes to suit outside diameters of between 3 mm to 220 mm, and has a particular pincer action which clamps swiftly and securely to the tube.

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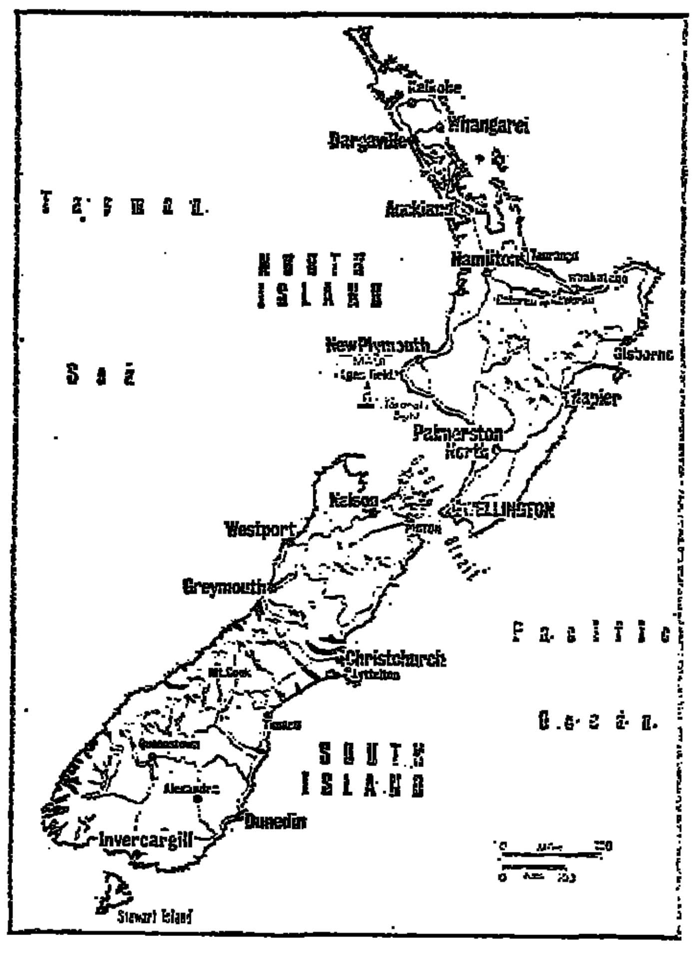
FINANCIAL TIMES SURVEY

Tuesday August 4 1981

New Zealand



Trade	II	Energy	IV
Foreign policy	II	Economy	IV
Politics	III	Forestry	V
Profiles:		Horticulture	V
Robert Muldoon	III	Meat	VI
Bruce Beetham	III	Dairy	VI
Bill Rowling	III	Wool	VI

The benefits of large natural resources and success in increasing export levels have given New Zealanders the promise of a bright future. However, the internal divisions stimulated by eight years of economic stagnation and heightened by the build-up to the General Election in November must first be resolved.

Stunted growth slows up a dream

By Paul Cheeseright

"I CAN say with confidence for the first time since 1973 that the future for New Zealand and its people is bright. We know the way to that bright future, and the New Zealand economy is on course, on target and set for a prosperous future." — Robert Muldoon, Prime Minister and Minister of Finance, Budget speech, July 1981.

For many New Zealanders, wondering what had happened to the missing eight years, that statement was an object of cynicism, just garnishing on an election year budget notable for its economic tinkering.

That eight years has seen the New Zealand dream, so nearly realised in the 1950s and 1960s, slip away. This small nation, isolated and prosperous in the South Pacific, has been buffeted by recession and high oil bills, and beset by declining terms of trade, while struggling to maintain itself in the style to which it has become accustomed.

Shortage of foreign exchange, a running balance of payments problem, the fight against persistent double-digit inflation and a rising Government deficit have shackled the economy. The growth needed to feed the dream of creating a society of plenty, glowing with racial harmony and egalitarianism, simply stopped. New Zealand has been stagnating.

Stagnation has led to unemployment. The nation which had been wedded to full employment, which worried when unemployment in the pre-energy crisis days crept to 5,000, has had to face a number ten times that out of work on the official, understated, figures.

Some of the slack has been taken up by migration. New Zealand has lost about 100,000 people in the past five years, although the drift has slowed. On one reckoning the migration can be seen as a justifiable slimming down, the removal of a charge on already overburdened Government spending. But on another reckoning, the implications are more serious. Already there is a shortage of skilled labour. "The capital stock of the country's skills is being run down," said one economist.

For the majority, however, stagnation has led to divisions, leaving New Zealand more confused and less confident than at any time for a generation.

Arguments about how to slice the national cake have become more bitter as inflation has distorted the taxation structure, pushing the relatively lowly paid into tax brackets designed for higher incomes. This has increased the pressure for higher wage increases, to the extent that the Government sees the execution of a wages policy as the key element in bringing inflation—running at more than 15 per cent—under control.

But there has not been sufficient underlying trust between the unions, through the Federation of Labour, and the Government to devise a deal. Talks about a trade-off between wage limitations and tax cuts failed earlier this year amid recrimination.

Polarisation

This lack of trust reflects the growing polarisation of New Zealand politics and economics. The days when the Federation of Labour would be rhetorical outside the negotiating room but more conciliatory inside have disappeared. In the same way there is more disputation between the ruling National Party and the opposition Labour Party.

A major contribution to sharpening the edge of domestic politics has been made by Mr Muldoon. His style is combative and outspoken. "New Zealand," noted one analyst, "is going through a phase of rapid change and retrenchment. The chord Muldoon strikes is the fighter element. The middle New Zealander doesn't want to take the effects lying down."

BASIC STATISTICS

Area	269,000 sq km
Population	3.10m
GDP (1979-80)	NZ$20,908m
Per capita	NZ$6,745
VISIBLE TRADE (May 1981)	
Exports	NZ$6,084m
Imports	NZ$5,274m
TRADE WITH UK (1980)	
Exports	£414.63m
Imports	£250.41m
Currency: £ =	NZ$2.2170
Inflation: 15.2% (year ending March 1981)	

But as Mr Muldoon does not apparently take kindly to criticism, and is abrasive in manner both about people and policies, an element of rancour has inevitably entered discussions not only about the immediate running of the economy, but about future development plans.

These plans have been grouped together under the general title of Think Big. They embrace a series of capital-intensive projects, designed to use New Zealand's abundant energy resources to create foreign exchange and to reach energy self-sufficiency.

It is these projects which induced Mr Muldoon to speak of New Zealand's bright future in his budget speech. But critics argue that the increase in foreign borrowing needed to finance the projects will not be compensated by rapid earnings in foreign exchange and that the Government, by forcing the pace of development, is playing into the hands of multinational companies.

The Labour Party has seized on the fact that the projects themselves will not create jobs, which should be the first priority. The Government rejoinder is that, by permitting New Zealand to break out of the straitjacket of foreign exchange shortage, the economy will be permitted to expand, thus indirectly creating new jobs.

Certainly there will be energy developments in New Zealand, but the pace at which they take place has become part of the argument building up to the November election. In the crude fashion of election debate, the issue will crystallise into Think Big or Think Small.

The issue is an extra source of contention, made more complicated by fierce environmental arguments. Sectional interests have been pitted against each other, including the farmers, whose performance in raising production, diversifying their products and finding new markets in the last two years has been the main invigorating element of the economy.

Mr Muldoon has been at pains to stress that farmers will not be deprived of capital by pushing resources into the energy projects. He needs to reconcile them because traditionally they have been the bedrock of National Party support and because, also traditionally, smaller farmers have periodically been attracted to the Social Credit Political League.

Social Credit has emerged strongly as the third party of New Zealand politics. In 1972 it was not on the political map. In the 1978 election it polled 16 per cent of the votes. It now holds about 25 per cent, according to recent opinion surveys. This performance is in itself an indication of the disillusion which appears to pervade New Zealand's affairs.

Springbok tour

How the political parties will be affected by the Springbok rugby tour issue—whether the South Africans should be playing in New Zealand at all and how to handle the disorder which accompanied their presence—is by no means clear.

The question has been even more divisive than the economic issues. Moral questions have been intermingled with resentment about outside pressure first to prevent the tour and then to stop it.

But the question touched on, and brought into conflict, two strains of New Zealand society: —first, the acceptance of racial equality and distaste for those who do not practice it and second, the camaraderie of the rugby field, the latter-day version of the "mateship" which brought men together to tame the land.

When the tour started the bitterness spilt over into violence on a scale which led Wellington observers to suggest that the divisions in the country were deeper than at any time since the Depression of the 1930s. The harmony implicit in the New Zealand dream seemed finally to have evaporated.

The New Zealand Government did not know what the international consequences of non-intervention in the tour would be. So far there has been an argument with Australia, the removal of the Commonwealth Finance Ministers' conference from Auckland and threats to the future of sporting events where New Zealanders plan to take part. To compound its internal problems, New Zealand has been losing friends.

Successful diversification in range of goods and markets

ACCORDING TO Islamic rites, animals may be slaughtered only by having the blood *drained from them.* Moslem slaughtermen now scrutinise the killing process of lambs destined for the Middle East markets in the New Zealand freezing works.

Their presence is a symbol of the way New Zealand has diversified its markets for livestock products, the basis of the country's export trade. For this problem of diversification was one of the two main difficulties which have haunted successive New Zealand governments.

They have sought first to widen the destination of their trade away from the UK and second, to broaden the range of goods available for export. There has been considerable success in both areas.

In 1960, more than half New Zealand's exports went to the UK. Twenty years later the figure had dropped to just under 15 per cent. Indeed, no single country now takes more than 15 per cent of exports and the U.S. vies with the UK as the major market. The eggs in the basket have been spread, although the global figures disguise what may be considered an unhealthy dependence on certain markets for taking specific products—the USSR for mutton, Iran and Iraq for lamb.

Similarly, but less markedly, the exporting base has been widened. In 1960 New Zealand depended on pastoral products for 93 per cent of its exports. Since then the growth of the forestry industry and the increasing importance of manufacturing has reduced this dependence to less than 70 per cent.

The proportion should continue to decline through the 1980s and into the 1990s as timber from afforestation programmes started in the 1960s becomes available and if the plans for energy-based industries are fulfilled.

Studies by the Manufacturers Federation, published in 1979, showed that an annual growth in real terms of 13.6 per cent for manufactured exports is possible between 1979 and 1984. So far the targets have been met. In 1979-80, the growth was 15.4 per cent, although it is expected to be slightly lower in 1980-81 when final figures are published. In 1981-82, the speed of growth should accelerate, the Federation thinks.

The main burden in keeping the external deficit under control—it has fallen to under 4 per cent of GDP from more than 10 per cent in the mid-1970s—continues to fall on pastoral exports, thus raising to major importance the difficulties of maintaining access to the main markets.

Despite the growth of trade with non-OECD countries, which now take more than 30 per cent of New Zealand exports, the most significant markets remain the EEC and especially the UK, the U.S., Australia and Japan.

Australia is a special case because of a free trade agreement and the current negotiations to replace it, but problems of access remain in the EEC, U.S. and Japan without signs of immediate solution.

● EEC. Investigations into the possibility of a long-term trade agreement have started. New Zealand's present arrangement for access to the UK dairy products market expires in 1983. Wellington's desire is for an accord which would eliminate the constant irritations involved in negotiating short-term agreements for such a sensitive sector.

But the goal may be difficult to reach. The EEC's milk output has been rising at 3 per cent a year, while demand is static. By 1985 EEC dairy production could reach 110m tonnes of which 28m tonnes will be surplus, destined for the world markets at subsidised prices.

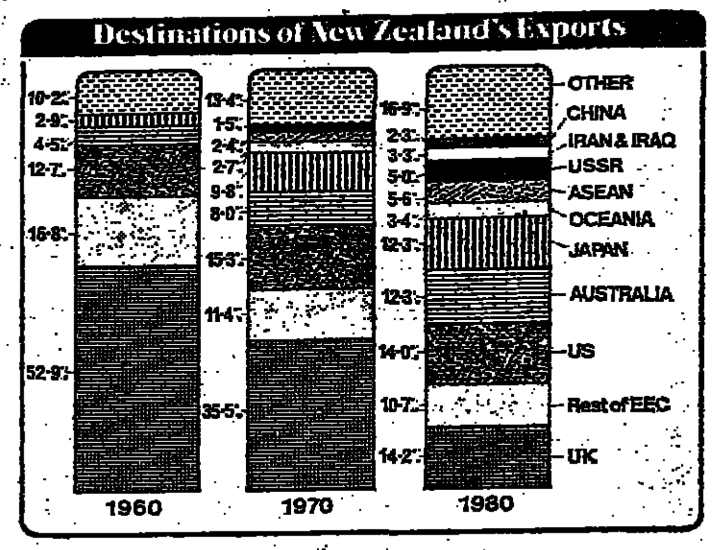
Politics may decree continued access for the relatively small amounts involved in New Zealand sales. Under the 1981-1983 EEC-New Zealand arrangement, New Zealand may provide

Trade
PAUL CHEESERIGHT

94,000 and 92,000 tonnes of butter respectively in the first two years to the UK, with tonnage for the third year to be decided by October, 1982. The return to New Zealand is set at about 75 per cent of the EEC intervention price.

The threat to New Zealand lamb sales implied by proposals for an EEC sheepmeat regime has been averted by an agreement under which New Zealand trades off a voluntary restraint commitment for a reduction in the EEC tariff to 10 per cent.

● U.S: Despite the free trade stance of the Reagan Administration, the New Zealand Government has divined no move to improve access for agricultural products. But some encouragement has been drawn from Administration plans to reduce support for its own farm industry and its move to kill demands for a quota on casein,



for which New Zealand is the biggest supplier.

However, New Zealand cheese has been subject to quota for many years, although the entitlement was raised during the Tokyo Round multilateral trade negotiations. The butter quota is a derisory 150 tonnes, but there are no quantitative restraints on lamb.

The U.S. subjects all its beef suppliers to a global quota, which varies according to the production of the domestic industry. Historically the New Zealand share of the quota has been about 21 per cent.

● Japan. New Zealand butter is simply excluded from the market, but bulk cheese sales are permitted for mixing by the importer. There is a global quota for beef, but New Zealand has failed to win more than a modest share of it. Access for fish remains difficult because of the protection given the local industry.

The nature of all these restrictions means New Zealand will press within the General Agreement on Tariffs and Trade for a freeing of argricultural trade in any future negotiating round. The benefits from the dairy trade agreement in the Tokyo Round have so far been modest, largely confined to setting minimum prices and an easier flow of information on markets and production trends.

But more immediate and tangible advantages will come from the drive into new markets. Indeed the quickest growth so far has been in the Middle East, the Soviet Union, which now takes nearly three-quarters of New Zealand mutton exports and one-eighth of its wool, the Association of South East Nations, China, and the South Pacific.

Partners to agree on new package

"WE ARE natural economic partners," Mr Brian Tallboys, the New Zealand Minister of Foreign Affairs, said of Australia. Natural partners too in other ways—strategically, culturally, geographically.

Indeed, the relationship is held together by a web of commercial and governmental contacts which continue whatever the state of personal relationships between prime ministers, or the tenor of political disagreements on, for example, issues like the South African rugby tour of New Zealand.

But on the New Zealand side there is a fundamental distrust built into the relationship because of the disparity of size. While Australians might regard New Zealanders with indifference, the latter, jealous of their independence are highly suspicious of any action or attitude which smacks of the overbearing.

This emotional ambivalence finds an economic reflection in the negotiations in progress to forge what in New Zealand jargon is called the Closer Economic Relationship with Australia, the successor to the New Zealand-Australia Free Trade Agreement, signed in 1965.

This Agreement, essentially a schedule of goods for trading without or with only limited restriction, covers some 80 per cent of trade. But by the end of the 1970s, it had become clear that it was unlikely to develop further. Australia, pointed out that its own trading interests were increasingly towards the north and suggested that if the matter was not examined afresh then it would be difficult to create a closer relationship.

Although New Zealand is a major market for Australian goods, especially manufactures, and the balance of trade is strongly in Australia's favour, it is arguable that the Agreement is relatively of more importance to New Zealand.

Cosseted

Australia takes about 14 per cent of New Zealand exports. It is the major outlet for New Zealand's developing but cosseted manufacturing sector. Total sales in the year to June 1980 were worth NZ$634m compared with NZ$501m and NZ$412.6m in the two previous years.

The New Zealand Government was not prepared to accept a full customs union, but it was prepared to enter a scheme which would involve the phasing down of tariffs and the gradual dismantling of its system of import licensing. This would be part of a wider process to make New Zealand industry more competitive by more exposure to outside challenge.

Officials are now negotiating within a framework laid down at ministerial level, seeking timetables for such phasing down, trying to balance different types of export incentives and dealing with the special problems caused by New Zealand's desire to sell dairy products in Australia and Australia's desire to sell more wine in New Zealand.

A package should be ready within the next few months, or failing that a parcel with two or three ends left to be tied by political decision. Australia will not accept anything less than a full package. But the New Zealand Government, faced with divisions among its manufacturers, an inevitable mix of fear of Big Brother and confidence in the ability to cope, will certainly make no final decision, still less sign an agreement, before the November election.

P.C.

Maintaining a balance under the U.S. umbrella

THE U.S. would like New Zealand to contribute troops to a peace-keeping force in Sinai. No formal request has been made but discussions about the proposition in Wellington throw up in an acute form the dilemma of a small country for which trade and foreign policy are indivisible.

New Zealand relies on the U.S. security umbrella and is prepared to pay its dues to remain underneath it—hence the sending of troops to Korea and Vietnam. A contribution to the Sinai peace-keeping force would be another payment of dues. It would also make sense in terms of facilitating the execution of what is perceived to be the Reagan Administration's desire to give more support to its friends.

On the other hand, New Zealand's market diversification programmes have led it to the Middle East, where Iran and Iraq buy about 25 per cent of total lamb exports. But Iran and Iraq, despite their war, share a common distrust and antagonism towards the Camp David peace process for the Middle East.

There is no obvious way to balance the fear that markets might be lost in the Middle East *for political reasons and the* traditional anxiety of New Zealand Governments to perpetuate and deepen the relationship with the U.S.

In the final analysis, it would probably be difficult for New Zealand to reject a direct call from the U.S. but much will depend under whose auspices the force will be sent. Mr Brian Talboys, the Minister of Foreign Affairs, thinks there might not be much argument in the Arab world if the force is under a UN umbrella.

But this particular dilemma is only part of a wider question. This is how to keep up with the political aspirations held in common with larger powers when the economic base is much smaller.

"In relation to defence, New Zealand's capacity to contribute to the peaceful development, the evolution of countries' independence in the South West Pacific and play a role in South East Asia—it all comes back to the strength of the economy," said Mr Talboys.

The strength of the economy depends on the ability to sell livestock products on the world markets. "The rules applied to industrial products are not acceptable to the big league when you want to apply them to livestock products," said Mr Talboys.

New Zealand has problems of access with precisely those countries to which it is attached through the Western alliance—not only the U.S. but the

Foreign policy
PAUL CHEESERIGHT

nations of the EEC and Japan. Noting the swell of opinion about the Soviet intervention in Afghanistan and fears about the future of Poland, Mr Talboys observed that "the very people who want to limit our beef want you to join the club and give the Soviet Union a lesson—but how?"

There is, however, a temperamental and traditional affinity with the desire to "give the Soviet Union a lesson." New Zealand has no direct interest in either Poland or Afghanistan but it does have a continued concern about Soviet containment.

It thus views with some anxiety the split among countries in South-East Asia about the recognition of Kampuchea, not least because of the increased opportunity afforded the Soviet Union to build up a naval base in the Vietnamese port of Cam Ranh, which is, after all, 3,000 miles nearer than Vladivostock.

Anzus is the centrepiece of New Zealand security policy, an alliance signed in the immediate aftermath of World War Two between Australia, New Zealand and the U.S. "We could have no closer identity of interest with our friends across the Tasman. . . . Together we form a strategic entity. . . . Our relationship with the U.S. is similarly of wide-ranging benefit. . . . In security terms the U.S. is the only counter-balance should other major powers seek to expand their influence in our region," said the latest annual report of the Ministry of Foreign Affairs.

The link with the old UK imperial interest, severed by the fall of Singapore in 1942, has been completely broken. In 1978, for the first time, the Defence Review, setting down a 10-year programme, started from the assumption of New Zealand as a Pacific power.

Among the implications of this is the eventual withdrawal of the New Zealand infantry battalion from Singapore, although this is unlikely in the next two years. But beyond immediate defence dispositions there is a growing awareness of the greater strategic significance of the South Pacific brought about by the increasing range of nuclear submarines. The U.S. in any case, uses both Australia and New Zealand as sites for tracking stations.

The greater the strategic significance, the greater becomes the New Zealand interest in maintaining the stability of the island states of the region. The Government is thus waiting with curiosity to see how Papua New Guinea developed its hitherto vague idea of establishing a *Pacific* peace-keeping force. This springs from PNG's provision of such a force to Vanuatu, once the New Hebrides Condominium, which assumed independence last year in some disorder.

New Zealand's relations with the island states at the multilateral level are conducted within the South Pacific Forum, an annual meeting of the leaders of 11 self-governing island countries. The latest innovation of the Forum is the establishment of a regional trade and economic co-operation agreement.

The agreement, which came into force at the beginning of the year, provides unrestricted and duty-free access for the products of the islands into both Australia and New Zealand. The aim is to reduce the vulnerability of the fragile states by encouraging the growth of export industries. In the first quarter New Zealand imported about NZ$10m of island goods.

Mixed response to rugby tour

Politics

PAUL CHEESERIGHT

FEW New Zealanders would have wagered against the ruling National Party winning the general election, scheduled for next November, at the middle of the year. Mr. Robert Muldoon, the Prime Minister, clearly had the political initiative. National had a clear lead in the polls, winning support from 42 per cent, against 32 per cent for the Labour Party and 25 per cent for the Social Credit Political League.

But now the position is less clear-cut. It had always been obvious that a major theme of the election would be National's handling of the economy. That remains the case, but consideration of this has become mixed with reactions to the Government's handling of the Springbok tour issue.

A South African rugby tour, starting in July, had been planned for some time. But as the agitation in the country against the tour increased and as the pressure from Commonwealth countries built up against the tour, the whole political atmosphere changed.

Internal National Party calculations had suggested that if the Government took steps actively to prevent the tour, as opposed to hinting to the New Zealand Rugby Union that it might be advisable to rescind the invitation, up to 10 seats—or 20 per cent of National's parliamentary strength—could be lost.

This pushed Mr Muldoon into an ambivalent position. His tactic was to face both ways at once. Certainly he was opposed to apartheid, but it was a matter of individual rights for sportsmen to decide how they conducted their affairs. Such rights are fundamental. The responsibility for the tour remained with the Rugby Union.

But the pressure from the black Commonwealth gave him another card to play. He sought to present himself to the electorate as the man who was standing up for New Zealanders' rights to do what they like. It struck a chord in the very farming areas which had been demanding all the time that the tour should take place.

Yet the country is deeply divided on the issue as demonstrations and court cases against the tour and the grant of visas to South Africans have shown. Labour is firmly against the tour, although Social Credit is broadly behind the Government's line.

Mr Muldoon has said that for the Government the tour is a no-win issue but what he called the blackmailing tactics of some of the African countries has put the Government in a more favourable light. There has been a backlash of public opinion, he said. But he conceded that if the tour sets off violence then the Government will be blamed for it.

Certainly the Labour Party has drawn encouragement from the fact that, as Mr Bill Rowling, the leader, saw it, Mr Muldoon has been facing all ways. "This weakens the perception of him as a strong man." But Mr Bruce Beetham, the Social Credit leader, suggested that the impact of the tour is broadly neutral as far as his party is concerned. And, anyway, he added, "Voters do not change on a single issue."

The breach between the Labour Party and the Government on the tour issue is a further indication of the growing polarisation of the two largest parties. Their divergence has widened over the handling of the economy, and especially on the basic question of future development strategy.

National has tied itself to the Think Big strategy of using a series of major energy-based projects to stimulate New Zealand out of the economic suggishness which has been its chracteristic since the mid-1970s. Labour, on the other hand, is advocating a greater spread of investment funds through the more traditional sectors of the economy with a more cautious approach to winning energy self-sufficiency.

National's task between now and November will be to convince the electorate that it can manage successfully such a radical change of development patterns, with the promises and risks they entail, while riding the inevitable disillusion that comes from rising inflation, high taxes and eroding living standards.

On any historical basis, National's chance should be slim. Ruling parties in New Zealand since World War II have had to accept a steady drop in support, leading to their eventual downfall, as the political pendulum has swung. Indeed, at the 1978 election, the Labour Party polled more votes than National.

But there are two reasons for wondering whether the historical pattern will automatically be extended. The first is that until the early part of this year, Labour looked in no shape to rule. There had been an attempt to topple Mr Rowling which he defeated in the parliamentary caucus only by his own casting vote.

Since then the party has shaken itself down, been more aggressive in seeking to exploit the resentments which Mr Muldoon's abrasive style of leadership has caused and pushed out a whole stream of policy documents which make it look more like an alternative government and less like a fractious opposition.

The second factor, new in post-World War II New Zealand politics, is the impact of Social Credit, a party with a philosophy based on the early writings of C. H. Douglas, the pre-war Canadian theorist. Its aim is to cut financial speculation from the system and to regulate the supply of money to allow the income of the people to equal the value of goods produced, without the growth of debt and interest.

In the last election it polled 16.1 per cent of the votes and since then has succeeded in attracting the disillusioned from both National and Labour, but probably more from the latter than the former.

Its standing in the polls might suggest that it is on the verge of an electoral breakthrough, which may give it a balance of power in the new Parliament. At one stage it had a lead over Labour in the polls, an indication of the volatility of the electorate's mood. Certainly Mr Beetham thinks Social Credit has a good prospect of winning up to 12 seats.

But then Mr Rowling is convinced Labour will win the election, although he admitted he would not have said that six months ago, and Mr Muldoon is expecting about the same majority for National as it has now.

PARLIAMENTARY SEATS

	National	Labour	Social Credit	Independent
1978 election	51	40	1	—
At dissolution	50	38	2	2

(National lost one by-election to Social Credit. There were two defections from Labour.)

Robert Muldoon (right) has been Prime Minister since 1975 but a victory for his National Party in the November election is by no means assured as the challenge increases from Bill Rowling (bottom left) and the Labour Party, and Bruce Beetham (bottom right) and Social Credit

ROBERT MULDOON, NATIONAL PARTY

A tough and abrasive leader

THE QUESTION New Zealanders ask about Robert Muldoon is: How long will it be before the opposition he has aroused, the enemies he has created, coalesce to wrest from him the political dominance he has exercised for the past six years?

His style is essentially combative. The impression he seeks to give is that of the tough leader, full of purpose, outspoken — Rob tells it how it is. He offers the promise of decisive action, even though the actions he takes are essentially gradualist.

Certainly, when he is out of the country, the National Government seems to meander. When he is in the country he looks to be in total command. Ministers are said to listen to the radio between seven and eight in the morning to see what the policy is.

This reflects his abrasive approach to politics where no criticism can be left unchallenged and every point which might count against the National Party must be countered — several times over. If the issue cannot be met directly, the person who raised it can. Politics in New Zealand can be very personal. Rob, they say, has a long memory.

Mr Muldoon's very aggression brought him to power in the first place. His relentless stumping of the country was the major factor in bringing the National Party back to power in 1975 after three years in the wilderness. Indeed it was his tactical aggression inside the party which foiled an attempt to take the leadership from him last year.

Mr Muldoon has been in Parliament since 1960 and a force to be reckoned with since 1967 when he became Minister of Finance for the first time. Now 60, he has, he says, no thoughts of retiring.

His philosophy is difficult to pin down. In an interview he evaded questions about it, prefering to talk in general terms about the electorate facing in November a choice between state controls under Labour or a policy of removing controls under National, and the Government's growth strategy.

Pulling the levers of power from spacious offices overlooking Wellington, he has come a long way since the end of the World War II Italian campaign when he sat in a tent outside Trieste and took cost-accounting examinations. The tent belonged to Major John Marshall, the man he later supplanted as leader of National in 1974.

BRUCE BEETHAM, SOCIAL CREDIT

The middle road

ALTHOUGH HE has been a party leader longer than both Mr Muldoon and Mr Rowling, Bruce Beetham is the political *arriviste*, the man the traditional parties have to keep an eye on because he is the focus of disillusion in the electorate.

Elected to Parliament in 1978, where he has since been joined by another Social Credit MP, Bruce Beetham offers himself as the exponent of the middle road. He does this by seeking to adapt barely understood Social Credit theories to contemporary realities, stressing property ownership and a redistribution of resources.

Indeed, some of the writings of C. H. Douglas, the original Social Credit theorist, are ghosts from the past which Mr Beetham carries with him. But, he added, there is "a lot of similarity between the British Liberal Party and Social Credit in New Zealand. The main difference would lie not so much in philosophy or policy in specific areas but with our very different approach to economic and financial management."

However, given that the details of Social Credit theory are not likely to be discussed as an election issue in November, the future of the party is immediately tied up with how Mr Beetham projects himself to the public and to the strength of organisation on the ground.

"My greatest strength is that I project well on TV," Mr Beetham said. "Possibly, though, the public is inclined to the view that I'm sometimes sitting on the fence. I don't think its true. I would call this fair-mindedness."

By upbringing, Mr Beetham said, he sees both sides of the argument. The middle road again. This upbringing, was more conventional than that of Mr Muldoon or Mr Rowling; high school, university and then teaching and lecturing before becoming involved with Social Credit 11 years ago.

However, Mr Beetham does lack experience. Now aged 46, the only governmental post he has held so far is Mayor of Hamilton, but he relinquished this in 1977, 18 months after election to concentrate on the national political scene.

BILL ROWLING, LABOUR PARTY

Quiet but durable

WALLACE ROWLING, known as Bill, is a quiet man: the opposite of Robert Muldoon — so much the opposite that at times he appears to have been steam-rollered. But, analysts noted, he keeps coming back; he is much tougher than he looks.

Part of his problem is that he does not have a very confident television manner in a country where politics have become increasingly presidential. This, he concedes, "The weak image nearly destroyed me politically," he admitted.

Mr Rowling's political presence is more striking in small gatherings and on the platform where, those who have attended his meetings suggested, he can make the atmosphere electric. In the election campaign soon to start, however, his greatest asset may be his durability.

Last year his political demise seemed inevitable, but this year he has pulled a fractious and dispirited party into line, overcome personal tragedy and started to run hard in an increasingly polarised political situation. But whether he can suffer a third electoral defeat since taking the Labour leadership on the death of Mr Norman Kirk in 1974 is another question.

Mr Rowling had a brief spell as Prime Minister before Labour was trounced at the polls during the 1975 election, but in 1978 he brought the party up from behind so that although it lost the election it actually polled more votes than National.

Since becoming the Labour leader, he has broken many links holding the party to rigid socialist ideology. The party is firmly committed to the mixed economy. "We are maturing into the social democratic kind of structure, much more identifiable with the West European scene," Mr Rowling said.

His parliamentary career has run parallel to Mr Muldoon's. He was first elected at a by-election in 1962. In the Kirk Government of 1972-74, he was the Finance Minister and now he holds, in opposition to Mr Muldoon, the shadow portfolio of finance.

Investment aims for self-sufficiency by the year 2000

Energy

PAUL CHEESERIGHT

NEW ZEALAND is making another effort to break out of the dreary cycle of balance of payments deficits and the chronic constraints of foreign exchange shortages, by a major investment programme in energy and forestry projects.

The effort, loosely and not very popularly lablelled Think Big, is based in the first instance on resources now thought to be open to viable exploitation because of the 1979 surge in oil prices, and in the second instance, on the availability of fresh sources of timber from trees planted in the 1960s.

The theory is that the problems of an imported fuels bill running at NZ$1.4bn a year will be defeated by a series of developments based either on the Maui gas field off the Taranaki coast, the use of modest onshore oil resources at the McKee field, and hydroelectric power or coal schemes to feed energy-intensive industry.

These developments, of which eight have been identified for action in the short term, have a present capital cost of NZ$3.6bn. They embrace a synthetic petrol plant, a new aluminium smelter based on a hydroelectric scheme costing an extra NZ$618m, an extension to an existing smelter, oil refinery expansion, steel plant expansion, an ammonia-urea plant, a methanol plant and a rail electrification scheme.

Talks are being held with oil companies by the Government about the possibilities of a liquids extraction plant to make downstream petrochemicals from Maui gas. This looks like a project for the medium term, during which time it will also be necessary to build a second platform for the Maui field at a cost of around NZ$1.2bn.

In the longer term, in the the 1990s, there is the prospect of gasification and liquefaction of extensive lignite deposits found in the south of the South Island.

The combination of all these projects, which involve the substantial borrowing or injection of foreign funds, has made the Government decidedly optimistic. Mr Robert Muldoon, the Prime Minister, talks of energy self-sufficiency by the year 2000.

The policy, noted the New Zealand Planning Council, is to use supplies of gas to achieve about 50 per cent self-sufficiency in liquid fuels by 1987 through the production of synthetic petrol, compressed natural gas and liquid petroleum gas.

Products based on Maui gas, hydroelectricity and coal should, it is thought, be in exportable surplus by the mid-1980s, so not only would the imports bill be reduced but export revenue will increase. "In essence we're hoping growth in traditional exports will hold the economy together until big projects come on stream," said one official.

Energy-based industries, in short, will widen the base of the economy and by solving the balance of payments problem will permit internal expansion. This will provide the job opportunities it is acknowledged will not come from capital-intensive development. That is the hope.

Yet the acting may not prove to be as easy as the picture suggests. Industrialists already fear the inflationary effects of a scramble for skilled labour in a country where the supply is already short. It is noted that even now wage demands at the oil refinery expansion project set targets for the rest of the economy.

Although this difficulty may be alleviated by local training schemes and by avoiding bunching the developments, New Zealand will be competing with Australia, with its much larger number of projects, to attract or retain the skilled. To some extent, for the young, the two are already one labour market and New Zealand wages are generally lower.

It is at least possible, in any case, that the projects will not go ahead at the speed the Government hopes. The Labour Partly, although divided on the merits of particular projects, especially the new aluminium smelter, is suspicious of the whole Think Big idea.

For the Labour Party, job creation is the first priority. "While the drive for energy self-sufficiency will continue," Mr Bill Rowling, the leader, said in a speech last May, the ammonia-urea and the synthetic petrol plant and the new aluminium smelter, "may well be delayed, or even abandoned in favour of job-creating projects based more fully on our own skills and resources."

Certainly, Think Big is not universally acclaimed. A recent poll in Dunedin, the biggest town near the proposed site of the new smelter, found only half the people in favour of the development. But the poll was small.

The objections and objectors are by no means united and their thrust is often directed at local projects rather than the policy as a whole. They articulate not only a concern about the preservation of the environment but a fear of multinational groups and an apprehension that the country is about to be raped by foreigners. There is also anxiety that Government policy will not lead to adequate diversification of the nation's fuel systems.

Mr Muldoon dismisses them. "It's what you would expect to get. One doesn't place much importance on them," he says.

He has, however, been at pains to counter sectoral arguments that Think Big will starve traditional and developing industries of new investment. The major new projects, he said in his July budget speech, do not dominate the investment programme. "In rough terms the investment in these projects will amount to about a tenth of the total fixed investment taking place over the 10 years to 1991."

The various strands of the debate about Think Big have much in common with debates about resource development in the U.S. and Europe. Their individual characteristic is that they represent the arrival of New Zealand as a resource-rich country. It can no longer be dismissed as a Pacific farmyard.

Outside the general discussion about energy projects lie the questions of how, or if, development should take place of minerals like ilmenite for titanium production and of peat—both involving Fletcher Challenge, the nation's largest group—not to speak of gold and iron sands.

THINK BIG

Project	Companies	Location	Capital cost NZ$m	Foreign exchange need (%)	Status
Synthetic petrol	Mobil, Government	Waitara	958	60	In final negotiation
Aluminium smelter	Fletcher Challenge, Gove, Alusuisse	Aramoana	796	62	Planning permission sought; negotiating on power prices
Aluminium smelter expansion	Comalco, Sumitomo, Showa	Tiwai Point	177	63	Under construction
Oil refinery expansion	Shell, BP, Mobil, Caltex	Marsden Point	552	52	Under construction
Steel plant expansion	NZ Steel	Glenfield	730	55	Decision awaited
Ammonia-urea plant	Petrochem†	Kapuni	94	58	Construction starts this month
Methanol plant	Alberta Gas, Petrocorp*	Waitara	174	60	In production 1982
Rail electrification	NZ Railways	Palmerston North-Te Rapa	135	52	Spending spread to 1982

* New Zealand state oil company † Petrocorp subsidiary.

Looking forward to an early recovery

Economy

PAUL CHEESERIGHT

THE OFFICIAL message from the Government is that the New Zealand economy is about to turn its back on the dog days, and that as Mr Robert Muldoon, the Minister of Finance, said in his July budget, "a sustainable recovery in the economy led by exports and investment will begin to materialise towards the end of 1981-82."

During the current year the real increase in GDP is expected to be about 2 per cent, roughly the same as in the year to last March, when the increase was almost solely due to a rise in export volumes.

This rise in export volumes, helped by favourable climatic conditions and thus without guarantee of future performance, is one of the few bright spots in an economy which has been static since 1975 and which saw a decline in GDP during 1977-78.

The stagnation has inevitably been accompanied by a shrinking of the employment base. The number of fully employed (excluding the self-employed) fell to 874,304 by February this year from 878,177 in February 1977, although over the same period the number of partly employed increased. Within these figures there was a sharp decline in employment by the construction industry and a lower number working in manufacturing.

Some of the slack has been taken up by a net emigration of about 100,000 over the last five years, although some economists argue that those who leave are precisely those with the drive and verve the economy needs most.

The official number of registered unemployed at the end of May was about 47,000 or 3.69 per cent of the labour force. Such a percentage is lower than that in most of the industrialised economies, but the absolute figure is understated. It does not take into account those under 16—the school-leaving age is 15—nor does it include married women. This has led to private estimates of an unemployment figure nearer 90,000.

The worldwide recession, fostered by the surge in oil prices, has increased the New Zealand import bill and while this has been offset to some degree since 1978 by increased export volume, the terms of trade have declined, making it more than usually difficult for New Zealand to pay its way in the world.

New Zealand has thus been running a series of deficits on the current account of the balance of payments—NZ$779.8m in the year to March 1981, NZ$559.7m for 1980, NZ$384.4m for 1979, and NZ$511.9m for 1978.

The response has been to tighten internal demand to the extent that, in the view of some senior officials, there is no scope left for further movement in that direction. And yet inflation has remained in double figures.

This has been the case in 11 of the last 12 years but, according to Mr Muldoon, "the increase of 15.2 per cent for the year ended March 31 1981 was the lowest for 18-months and I expect the annual rate to have fallen in the June quarter."

Indexation of welfare benefits in a wide ranging social security system and the de facto indexation of wages to consumer prices have been contributory factors in keeping inflation levels high. This explains the stress given in official circles to the definition of incomes policy.

But the Government has found policy easier to define than execute. Negotiations with the Federation of Labour, the umbrella body of the trades unions, on a trade-off between wage restraint and tax deductions have broken down and the Government has fallen back on exhortations to restrain wage demands, coupled with a threat to impose wage controls. At this stage there seems insufficient trust on either side to suggest that any form of voluntary incomes policy is in the offing.

Further, the level of the Government's own spending has also helped to fuel inflation. The Government deficit, which tends to run in three year cycles, has been creeping up since 1979-80 and for 1981-82 is officially estimated at NZ$2.09bn, the equivalent of 7.4 per cent of estimated GDP.

The deficits have been financed internally and externally. The level of internal public debt had reached NZ$7.4bn by the end of March, making a net charge on the total taxation revenue of 4.2 per cent, nearly double the percentage for the year to March 1973.

Borrowing overseas had climbed to NZ$4.2bn by last March, with servicing charges taking 4.4 per cent of export revenue. The Government will continue to be a regular borrower on the international markets, while over a period of years more than half the funding for the major energy projects will also come from abroad.

The need to fund the official deficit has made it difficult to do much more than hold the growth in money supply to a slightly slower rate than the rate of inflation. In recent months, however, there have been signs that the money supply has accelerated as demand for private sector credit has revived.

Inflation, the shortage of foreign exchange and the need to improve productivity, have been listed by the Government as the the three most important economic problems to be overcome if New Zealand's potential for growth is to be realised.

The Government's hopes on the foreign exchange side centre on steady growth of traditional pastoral exports, with additional contributions from forestry and manufacturing, until new energy projects produce an exportable surplus.

This policy has led to the proliferation of incentives for both farmers and manufacturers. In the first case, the Government has introduced a scheme to underpin the incomes of meat, dairy and wool producers, to run alongside a series of supports ranging from fertiliser subsidies, tax exemptions and concessional loans to the farm producer boards. Manufacturers are receiving tax exemptions for exports.

The incentives, coupled with creeping devaluation of the New Zealand dollar at 0.5 per cent a month have boosted export revenue, which in the nine months to March reached NZ$4.3bn against NZ$5.1bn in the 12 months to June 1980, while the volume index has also risen.

But the presence of additional incentives, with a commitment in the manufacturers' case that they stay in place until 1985, has had the effect of distorting the corporate tax system. This distortion has come on top of growing dissatisfaction with the personal tax system, strained by the impact of inflation.

Apart from piecemeal adjustments, the Government has been prepared so far only to give careful consideration, as it puts it, to approaches outlined by the New Zealand Planning Council, for comprehensive reform. In fact there was a major report on taxation reform as far back as 1967.

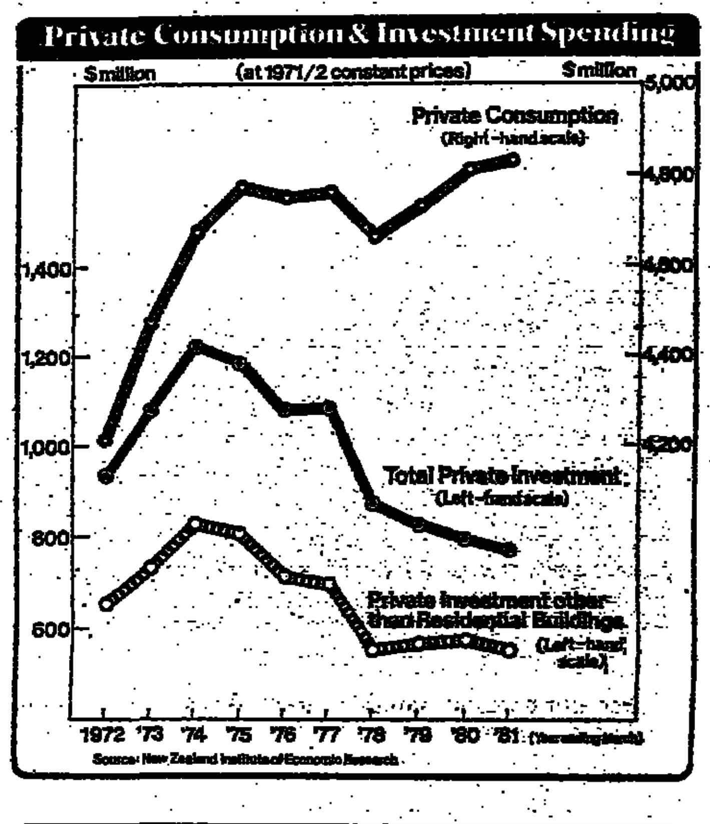
As far as the third major problem identified by the Government — that of productivity — is concerned, the approach has been to liberalise the economy but not, some economists argue, at a rapid enough pace.

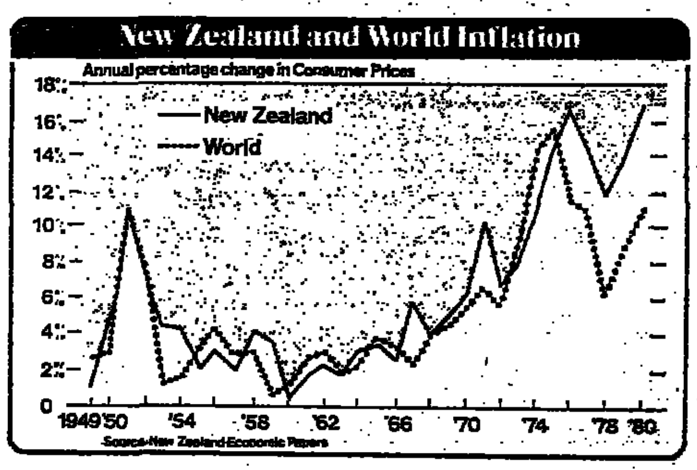
There has been change in the financial sector where interest rate controls on the deposit-taking institutions were lifted in 1976. The Government has been prepared to open up the economy more by eliminating part of the import licensing procedures behind which local manufacturing has developed. Roughly 20 per cent of New Zealand's imports are still covered by licensing, mainly in the consumer goods sector.

An extensive review, industry by industry, is taking place, which has also led to some freeing of imports. This has been the case in textiles where there have been factory closures but in the wine industry, the level of protection has increased.

Essentially, the Government's approach has been cautious, hindered not only by opposition to change from manufacturers likely to be competitively outdistanced but also by the lack of buoyancy in the economy and the low level of investment spending.

But there are indications of some revival in business confidence, as the demand for credit and the flattening of the downward trend in retailing have shown. It will, however, be at least a year before it can be established whether New Zealand has jumped out of stagnation—whether potential is turned into performance.





Pine species to be huge export earner

Forestry

DAI HAYWARD

A RELATIVELY obscure Californian tree will soon become a billion dollar export earner for New Zealand.

The Californian Radiata pine flourishes in New Zealand, reaching maturity at an earlier age than it does in its native environment and has become the basis for New Zealand's rapidly expanding forestry industry.

In 1946 forestry exports earned only NZ$590,000. Today they are worth NZ$574.7m and by the turn of the century export sales will be more than a billion dollars a year.

The Radiata pines have been planted by hand in the tens of millions to form vast man-made forests. These exotic forests cover more than 850,000 hectares—2.1m acres. More than half of these forests are owned by the state which initiated large planting operations in the late 1920s and the depression years of the early 1930s and again in the mid-1960s. Most were planted with export markets in mind and the country is now reaping the benefit with rapidly expanding exports to Asia, the Pacific, Japan, China, the Middle East and other markets.

In addition to its fast growing properties, which in New Zealand's climate brings it to maturity in 25 years, the Radiata pine has other attributes which has made it a favourite with New Zealand's forestry planners. One of the most important is that it will grow bigger and better than practically every other type of plantation species on every type of land, from sand to the heavy clays and from sea level to the highest altitudes.

New Zealand's paper and pulp mills and other forestry operations will match those anywhere in the world for size and efficiency. The industry utilises the Radiata pine for dressed timber production, sawn log exports, veneer woods, newsprint, pulp, paper, chemicals and other timber products.

Production of pulp and paper has expanded rapidly since the two major companies, NZ Products Limited and Tasman Pulp and Paper Company Limited opened their first mills in 1953 and 1955.

NZ Forest Products is New Zealand's biggest forestry company and it is indicative of the industry's importance to New Zealand that NZ Forest Products became the first New Zealand company to ring up annual sales of more than half a billion dollars. In its latest year ended March 31, sales were NZ$544m providing profits of more than NZ$53m.

Its giant plant at Kinleith produces more than 400,000 tonnes of kraft pulp a year as well as 265,000 tonnes of paper.

NZ Forest Products also produces and exports sawn timber plywood, cardboard, logs and chemical by-products. Tasman Pulp and Paper exports pulp and newsprint while the Government forest service has a huge export of logs and sawn timber.

The Kinleith plant covers 233 hectares, its six paper-making machines have a total capacity of 265,000 tonnes and the growth of the industry and the demand from overseas buyers for New Zealand paper is reflected by the output from the No 6 machine, the latest to be installed, which is equal to the combined production of the first four machines installed at the plant.

Australia and Japan are two of New Zealand's major markets for paper and forest products but exports of these and other forestry products now go to more than 40 countries from the People's Republic of China to the Sultanate of Oman. Increased competition in Australia both from its own domestic mills and from other paper producing countries could affect New Zealand's sales there.

New Zealand's total newsprint exports rose by 6 per cent to 208,000 tonnes last year. The value of these jumped by 33 per cent to NZ$66m.

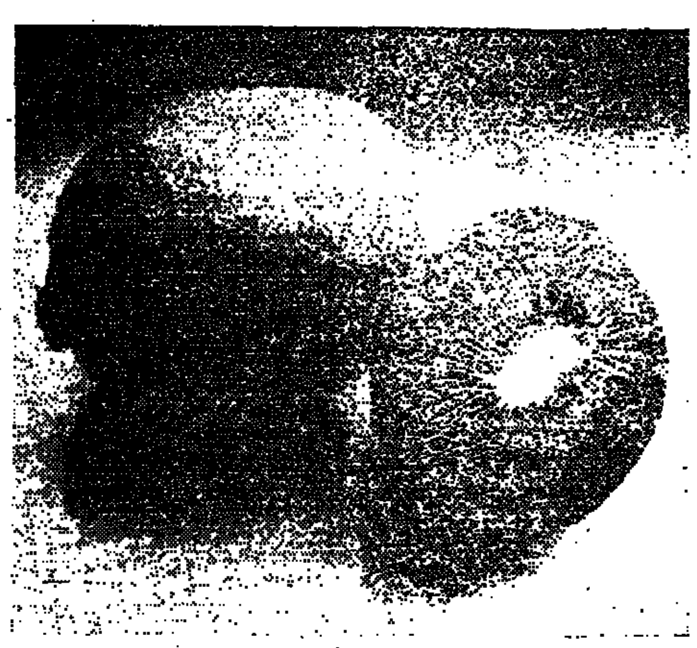
Exports of pulp increased 8 per cent to 464,000 tonnes worth NZ$106m, while paper and paper-board exports went up to 109,000 tonnes worth NZ$45m.

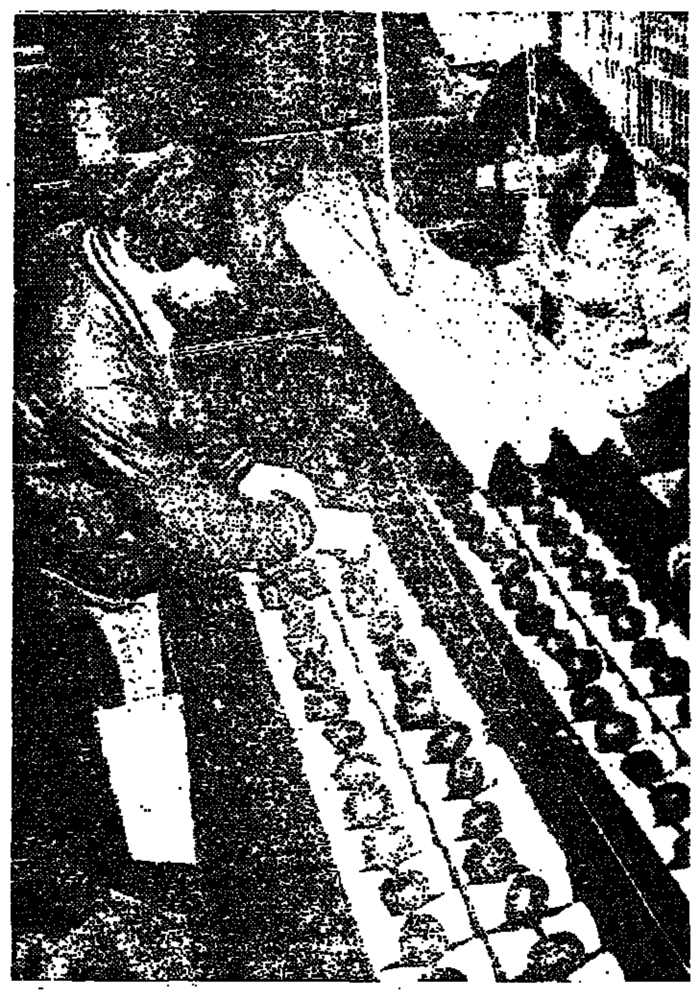
The forest industry also exports huge numbers of logs, wood chips and sawn timber. The value of these jumped 49 per cent last year to reach NZ$116m.

New Zealand has been a major supplier of wood chips to Japan but last year a fall off in demand saw a drop in quantity. Exports of these, however, will top 10m tonnes this year. The fall off in exports was easily absorbed by New Zealand's domestic pulp mills.

The NZ Forestry Service manages growing forests to ensure their most profitable utilisation as a renewable source. This in itself is a massive job. Each of the growing pines has to be pruned three times during its life.

Radiata pines in Santoft Forest, Bulls, North Island. These Californian pines flourish in New Zealand's climate and will earn more than NZ$1bn in exports by the turn of the century





Left: the Kiwifruit, bred to a uniform size, taste and shape from more than 20 varieties, is at the forefront of a rapid expansion of the horticulture industry. Right: packing Kiwifruit for export. In 1971 total exports of the fruit earned NZ$800,000, in 1981 it is expected to be NZ$50m and by 1985, NZ$155m. This success has led to the claim that Kiwifruit "must be the most important new fruit since the banana"

Fortunes made from the fruit of the future

Horticulture

DAI HAYWARD

THE KIWI FRUIT has been described as the most important new fruit since the banana. Its development in the 1970s was also the catalyst which turned New Zealand's modest horticulture export industry into the rapidly expanding industry of the 1980s.

New Zealand's potential as a provider of vegetables, berry fruit and horticultural products to the world had been largely ignored or overlooked until a group of kiwifruit growers combined to try to sell their product overseas.

One of the first steps in the late 1960s was to change the name from its previous meaningless "Chinese Gooseberry" to its present one of "kiwifruit." The "gooseberry" designation created problems in trying to export the product to the U.S. Gooseberries were regarded as a ground berry and therefore prohibited.

The fact that the kiwifruit was neither a gooseberry nor had any connection with China made a change of name logical. Under its new name kiwifruit was an instant success both in consumer acceptance and sales.

It became the symbol of a boom industry. Several millionaires were created among those who were first to exploit its potential.

The fruit has come a long way in the last 20 years. It has been developed and bred especially to create today's uniform sized single variety. Originally it came in 20 or more varieties. As recently as 1971 there were six varieties of kiwifruit being grown. In the past decade the industry has channelled its energy and research into changing the fruit so that there is now only one variety bred to a uniform size, taste and cosmetic shape.

"There is no question that in terms of world acceptance consumption and enthusiasm by both consumers and the fruit trade and in other countries the kiwifruit must be the most important new fruit since the banana" says a horticulture expert at the New Zealand Ministry of Agriculture. In 1971 total exports earned only NZ$800,000; in 1972 sales reached the NZ$1m mark.

Last year New Zealand exported NZ$40m worth. This year it will sell NZ$50m—mainly to Japan and Germany but with large quantities also going to the U.S. and Europe. By 1985 exports will be NZ$155m.

In the past decade there has been a huge investment in finance, research and development of the kiwifruit industry. Successful promotion has helped find and win lucrative overseas markets. In 1970 growers provided NZ$12,000 for world promotion and advertising. This year they will provide NZ$2m.

The kiwifruit, however, is only the spearhead of the horticulture explosion now underway in New Zealand. It was suddenly realised that world markets were available to growers of all types of vegetables and horticultural products in New Zealand.

A large range of horticultural products, from asparagus to garlic, is now being grown for export. The new glamour products is boysenberries, produced only in two areas in the world: the West Coast of the U.S. and in New Zealand. Production this year is 2,000 tonnes. Planned planting will boost this to 8,000 tonnes within the next five years.

The New Zealand Pukekohe onion is one of the best in the world for its preservation qualities but only a few years ago these were mostly eaten only within New Zealand. Now big tonnages are going to Japan and other markets. The Japanese housewife is also buying and cooking New Zealand-grown pumpkin, asparagus and garlic. She is also decorating her home and giving friends New Zealand-grown flowers.

Flowers are being shipped regularly to Japan, Europe and the U.S. There has been a big increase in exports of orchids and flowers from the protea family. Recognising the need to produce a product that appeals to world consumers New Zealand flower growers have developed a new bloom from the leucodendrum family. This is called Safari Sunset and buyers in several countries say it has exciting possibilities.

A New Zealand fruit not enjoyed by the Japanese housewife, however, is apples. For 15 years New Zealand has been trying to overcome Japanese Customs regulations which prevent New Zealand apples—which are well known and accepted in at least 40 other countries around the world—from entering Japan. The apple industry, too, has changed considerably over the last decade. Several new varieties have been developed to suit customer taste in different countries and there has been a big expansion in the size of the country's apple orchards.

Apple production has increased by 10 per cent each year since 1977 and this year 50,000 tonnes of apples will be exported. The pattern of trade, however, is changing. In 1970 the UK took 65 per cent of New Zealand apple exports; today it is down to 18 per cent. In 1970 European countries ate 84 per cent of New Zealand apple exports; today they get only 65 per cent.

At the same time total exports have increased by 50 per cent in the past five years. This year 5.25m cartons of New Zealand apples will be shipped overseas and this will rise to 7m cartons by 1985.

There is probably more innovation being attempted in the horticulture industry in New Zealand than in any other country. New Zealand is fortunate that it has a good growing climate, it has the skills originally developed for its other agricultural industries and it has a seasonal advantage.

Horticulture is an increasingly important part of New Zealand's export drive. Even the grape industry is becoming a worthwhile export earner as the local wine industry can no longer absorb even the bulk of crops produced. Horticulture exports this year will earn NZ$200m: last year they totalled NZ$150m.

The single biggest customer is probably Japan, with orders of NZ$50m—even without New Zealands apples.

EEC dumping a threat to trade

THE DUMPING of surplus EEC beef on world markets, at prices well below those within the Common Market itself, is hitting all meat-exporting countries with knock-on effects that pose a particular threat to the New Zealand mutton trade.

Cheap EEC beef has upset markets for South American beef-producing countries. This. in turn, is forcing them to sell their beef at low prices to Russia and Middle East countries which have been regular buyers of New Zealand mutton. As these countries switched from New Zealand mutton to cheap beef, New Zealand has struggled to sell more than 115,000 tonnes of mutton which has to be exported this season.

EEC dumping, and uncertainty over the effect the EEC Sheep Meat Agreement will have on UK lamb production and prices. are the two big worries for New Zealand meat exporters.

The meat industry officials are concerned that up to 700,000 tonnes of beef a year could be exported from Europe, an area which not so long ago was a net importer. Much of this is going to North Africa and other markets traditionally supplied by non-EEC producers.

New Zealand's meat industry believes it is extremely dangerous for European meat exporters to be working in isolation from the rest of the world.

North America is the biggest single market for New Zealand beef but the drop in U.S. prices has hit New Zealand exporters. Fifteen years ago the U.S. seemed a bonanza to New Zealand beef exporters but today its main appeal is that it provides adequate access for a reasonable tonnage of beef.

Access for all meat, as for other farm products, is vital to New Zealand but increasing political barriers, which impede the free flow of trade, cause problems for the New Zealand producer.

Sheep meat—which in New Zealand's case mainly means lamb—is the dominant side of the farming industry. New Zealand's sheep flock is about 50 per cent bigger than the total sheep numbers in all EEC countries combined. It is an industry geared for export and it helps make New Zealand the world's largest lamb exporting country.

This season about 780,000 tonnes of meat will be shipped to countries all around the world. About half, 390,000 tonnes, will be lamb and 115,000 tonnes mutton.

Even New Zealand's beef herds are closely tied to the sheep industry. About 75 per cent of New Zealand beef cattle are on sheep farms where they are grazed in conjunction with sheep flocks. Lamb, beef and mutton provide 25 per cent of New Zealand's total exports.

In March 1981 the year's receipts from meat exports, NZ$1,591m, were almost double in the 1978 figure. Lamb exports are worth $750m.

The lamb-producing industry

Meat

DAI HAYWARD

was developed to supply cheap meat for Britain and this was the pattern of trade for almost a century.

In the late 1960s and early 1990s New Zealand began to make strenuous efforts to find new markets for lamb, because it was warned that the UK would buy less lamb. At first, the traditional trading patterns meant the New Zealand Meat Board had to use a degree of compulsion to persuade exporting firms actively to go out and seek new markets. Somewhat to their surprise they found these new markets and by the mid-1970s a large proportion of New Zealand lamb exports were going to countries outside Britain.

Britain still remains the largest single customer for New Zealand lamb—and is certain to do so for many years ahead. However, this year, for the first time ever, almost as much export lamb will go to Middle Eastern countries as will go to Britain. Admittedly, the British seamen's strike which disrupted shipments helped reduce the tonnage sent to the UK but, nevertheless, New Zealand lamb now has other major customers in oil-producing countries, especially Iran and Iraq.

World prospects for lamb sales for the next few years are extremely encouraging. The uncertainty of the political stability of the Middle East is one worrying factor but worldwide demand for New Zealand lamb will remain high. The New Zealand meat industry still puts more effort into planning lamb shipments to Britain than it does to any other country or market. It regulates the flow of lamb to fit in with local UK production without disrupting prices or quantities. If British producers are encouraged by EEC payments of higher than market level prices to step up production well above market demand it could be difficult for New Zealand to continue to regulate the flow and to maintain a stable lamb market.

Mutton production and exports will show a big increase this year because of the increase in the size of the sheep flock over the last two or three years. New Zealand is heavily dependent on Japan and the Soviet Union for mutton sales.

Declining demand from Japan, where New Zealand mutton is largely used in the manufacture of processed sausage-type meats, has put pressure on New Zealand to find alternative buyers in North African countries. An expected drop in Australian mutton production over the next few years could help New Zealand.

The biggest problem facing the New Zealand meat industry is that, situated as it is thousands of miles from any market and 12,000 miles from the UK, its main lamb customer, it is very susceptible to increased oil, freight charges and other rising costs.

Internally, labour, transport and processing charges take a bigger and bigger share of the price received each year for every lamb in the market place. Farm and agricultural leaders have warned repeatedly of the need to hold down costs but to little effect.

One way of reducing freight costs would be to ship only meat with the bones removed. However, existing boning methods are extremely pricey with New Zealand labour costs.

It would be much more sensible for bones to be removed in New Zealand and, although the country's Agricultural Research Institutes are looking for low-cost de-boning methods, they have had little success. Any inventor or company which could devise a cheap, efficient, low-cost method of removing the meat from lamb or beef carcarcases would be greeted by the New Zealand meat industry.

A dairy herd grazes in the district of Taranaki, near the 8,260-ft Mt. Egmont. The combined export sales of all dairy products in 1980 was more than NZ$1bn, including NZ$371m-worth of butter

Shift in market reflects slump

THERE ARE more than 64m sheep in New Zealand's national breeding flock and, with lambs, this means 100m wool-producing animals shorn each year.

New Zealand comes third, after Australia and the Soviet Union, as the world's largest producer of wool and it is the world's second largest exporter.

Despite fluctuations in prices and world demand, and the growth of synthetic materials over the past two decades, wool is still one of the main areas of the New Zealand economy.

Since 1979 there has been an increase in the weight of wool produced by each sheep and veterinary scientists as well as individual farmers hope wool

Wool

DAI HAYWARD

production per sheep will climb back to the high weights of the 1960s. During that decade each animal shorn produced an average fleece of 5.59 kg. During the 1970s the fleece weight dropped to an average of 5.34 kg. When spread over more than 60m sheep the difference in weight—and the value to the wool industry—is considerable.

The lighter fleece was caused by weather conditions and reflecting farmers' incomes by a drop in the expenditure on fertilisers and other farm spending.

About 94 per cent of New Zealand wool is exported but over the past few years there has been a big change in the traditional markets. Britain, the U.S. and European countries, particularly those now in the EEC, were the traditional buyers and took the bulk of New Zealand's exports.

Today, the New Zealand wool industry relies heavily on countries in the Communist bloc and Japan for a large proportion of its sales. Over the past three seasons China and the Soviet Union have been major customers and had it not been for large-scale buying by these two countries, sales and prices at New Zealand auctions would have been seriously affected.

With so much of New Zealand's wool going into carpets and household furnishings, demand and the prices realised at New Zealand auctions, are noticeably affected by downturns in the economy of buying countries which in turn cause a fall-off in house building or consumer spending.

Britain is still the biggest single buyer of New Zealand wool but the change in the pattern of trade over the past 20 years is shown by the fact that in 1960 New Zealand earned 33.7 per cent of receipts from the UK. In 1980 sales to the UK provided only 12.5 per cent of the export receipts.

In dollar terms, however, Britain bought NZ$120.5m worth of New Zealand wool in 1980. This compared with $43.7m in 1971. This season sales of wool to Britain were around the same level, but as the average wool price is down from $2.65 a kilo to $2.47 a kilo receipts will also be lower. The total value of New Zealand wool exports increased from $206m in 1971 to $967.6m in 1980.

Last year the Soviet Union with buying orders of $114m took over from Japan as New Zealand's second largest customer. In 1971 the Peoples Republic of China bought only $500,000 worth of wool. In 1975 it bought none at all, but since 1976 sales have jumped from $12m to $43.8m with substantial increases each year.

In the season just ended New Zealand produced an estimated 385,000 tonnes of wool. This was a jump of 28,000 tonnes over the previous season. In the past four seasons New Zealand wool production has increased 25 per cent—a reflection of the increased flock numbers, and better wool-growing weather conditions.

Of this season's production less than 300,000 tonnes was bought by the New Zealand Wool Board as part of its policy to maintain prices.

The board is determined to maintain prices at what it believes to be "a reasonable level" taking into account the international market. It intervenes at auctions to bid—and if necessary buy—whenever the price slips below what the board believes to be the minimum level. This avoids big slumps or slips in price between successive sales or between one season and the next.

Experience has given the Board confidence to maintain this supportive policy and it is never reluctant to buy for its own stockpile. This confidence is based on the experience of the 1966-67 season when prices slumped dramatically and the Wool Commission—which then acted for the Board—had to buy 40 per cent of New Zealand's total wool production for the season. This gave it a stockpile of 700,000 bales. By 1973 all this had been successfully sold at a profit.

Since 1973, when it did not own a single bale, the Board's stockpile has fluctuated, from 19,000 bales in 1974 to 213,000 in 1975 and 50,000 in 1976. Over the last four years it has varied from 201,090 to 80,000.

At the start of the 1980-81 season the Board had 118,000 bales in its stockpile. A slack demand over the first half of 1981 caused the Board to buy 305,390 bales. It resold 85,000 bales and the stockpile now stands at 345,200 bales.

The Board does not have to buy all the wool on which it bids. At some sales during the last season it made bids on 93 per cent of the wool offered at individual auctions but had to buy less than half a per cent. This, says the Board, is justification for its policy which ensures New Zealand wool flows steadily on to the world market.

Wool is one of the few major agricultural products which is free of international trade restrictions. It is sold to a large number of buying countries which means New Zealand spreads its earnings over a wide field

Last year wool provided 18 per cent of New Zealand's total export earnings. With an increase in the number of sheep expected on New Zealand farms this year and the efforts now being made to produce heavier fleeces wool will continue to be a major export earner and, as such, a solid prop to the New Zealand economy.

Surplus butter still a worry

FOR YEARS the New Zealand dairy industry lived under the shadow of the EEC "butter mountain" which created problems in world marketing and pushed New Zealand out of its traditional markets. Now, just at the time when a change in EEC export subsidy policy has seen the Common Market's surplus melt away a new butter mountain of between 150,000 and 200,000 tonnes has grown up in the U.S.

This has become the major worry and threat to the New Zealand dairy industry.

A political row blew up over plans by American agricultural officials to sell the surplus butter at a cheap price to the Soviet Union. Concerned that this would cause the collapse of the world butter market and its own NZ$371m export sales, New Zealand stepped in with an offer to buy the American surplus.

New Zealand then became politically embroiled with accusations that it would merely be acting as a middle man to avoid embarrassment to the Reagan Administration because New Zealand itself would have to sell the surplus to the Soviet Union.

The NZ Dairy Board which has strongly criticised U.S. policy in allowing this huge surplus to accumulate is adamant it will not be selling it direct to Russia. It plans to process some of the U.S. surplus into butter oil which it will sell on the world milkfat market, some will be brought back to New Zealand and the rest fed on to the world butter market in an orderly fashion to prevent a collapse of world prices.

New Zealand is frightened that if the U.S. puts the butter up for tender there will be a scramble among traders, the butter will be dumped on to the market, prices will tumble and world dairy exporting countries, such as New Zealand, will suffer severe financial losses.

Plans by the Reagan administration to cut back the high level of farm support prices—which encouraged this over production—have caused a backlash against New Zealand's lucrative casein sales to the U.S. (Casein is a protein extracted from milk and is rather like salt in texture. It was formerly used in glue and plastic manufacture. Today it is widely used as a food additive.).

New Zealand can produce and sell casein in the U.S. much more economically than the American industry can. Even if New Zealand's supplies were shut out it is unlikely the American industry could fill the gap.

Two recent Federal Government hearings found in favour of New Zealand continuing to supply casein. Both the U.S. food industry and consumers support this, but the farm lobby wants cuts imposed.

Last year, New Zealand sent 40,000 tonnes of casein, worth NZ$70m to the U.S. Over the past few years New Zealand has developed a type of casein best suited to American needs.

Ironically the American butter mountain and problems of access have blown up just when the New Zealand dairy industry was experiencing some relief from the long drawn out battles of the past two decades over access to the UK and the EEC for its butter and cheese exports.

The combined export sales of all dairy products this year was worth more than NZ$1bn. Of these, butter was the most important with sales of NZ$371m. Then came milk powder, at NZ$320m, cheese at NZ$113m and other dairy products at NZ$256m.

The cheese industry, which produced 87,000 tonnes, sold more than two-thirds of this to four major markets: Japan, the UK, the U.S. and home consumption. Japan now provides a steady market for 17,000 tonnes. Exports to the U.S. of 17,500 tonnes are under quota and with the EEC agreement there is a guaranteed 9,000 tonnes required for the UK.

New Zealanders themselves have become major cheese consumers—this year they will eat more than 25,000 tonnes. They have been encouraged to eat

Dairy

DAI HAYWARD

more cheese by the production of specialist cheeses.

In two years the industry has spent NZ$250m building new plants and re-building older factories. This has made the industry more flexible, more efficient and, through rationalising the production of 40 individual dairy processing plants, has given New Zealand the ability quickly to provide a product to suit a specialised market.

One of its latest ventures is the production of industrial alcohol from whey milk.

It is also increasing the packaging of dairy products within New Zealand to provide increased added value. More than 20,000 tonnes of export milk powder are now canned within New Zealand. The NZ Dairy Board has extended its operations to other parts of the world through joint venture companies.

The New Zealand dairy industry is a giant by any standards. It produces huge tonnages of a wide range of dairy products and the industry, based on the one-man, owner-operated dairy farm, is the most efficient in the world.

This season it will produce 200,000 tonnes of butter, 180,000 tonnes of skimmed-milk powder, 95,000 tonnes of wholemilk powder, 45,000 tonnes of butter oil, 25,000 tonnes of butter milk powder, 60,000 tonnes of casein and 90,000 of cheese.

The great concern of individual dairy farmers is internal inflation. Although they received good prices for their products last season and again this year—with forecasts for next season being optimistic—many in the industry wonder how long New Zealand's high internal inflation costs can be held at bay by prices received overseas.

Political problems threatening ordinary marketing abroad and internal inflation at home are the industry's twin worries.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Capitalists sign on the venturers

AN entrepreneur's entrepreneur is a fair description of Lucius Cary. In just over 2½ years he has been the inspiration behind more than £1.5m being offered to fund projects as diverse as soft toy production or bedpan washing machine manufacture.

Lucius Cary: a mixed success

Cary is the founder of Venture Capital Report, a publication designed to bring together those wanting financial backing of the venture capital type with those who have it to invest. He set up VCR in true entrepreneurial style—with private backing, together with funding from a business he had already established, a chain of three American-style hamburger restaurants in Bristol.

When he launched VCR in December, 1978, Cary had a clear field since no comparable publication existed. Today, though, it is perhaps inevitable that others should have introduced something similar if not the same — for example, the London Enterprise Agency (the organisation backed by big companies to help generate more small businesses in London) produces a monthly digest of people seeking financial backing. It is, though, just a list rather than a full-blown breakdown of projects and the people behind them, as is the case with VCR.

Since Cary was first mentioned on this page in September, 1979, by his own yardsticks he has had mixed success. He is reasonably happy about the success rate of projects featured in VCR, but he has added only 200 subscribers to the magazine, making a total of 470, whereas his target for real viability is 1,000.

Up to the end of May a total of 225 projects had been featured in VCR. Of the 198 which have kept VCR informed of subsequent events, 33 (16 per cent) have received an offer for all the money they required from a VCR subscriber, while a further 26 (13 per cent) have received offers for all the money they required from other sources. Eleven have raised some of the money they wanted and a further six have had some positive result like television coverage. The remaining 123 (62 per cent) have had no success in raising funds.

The 33 offered funds by VCR subscribers (though not all the offers have necessarily been taken up) were seeking a total of £1.55m, while the 26 which got offers elsewhere were looking for a total of £5.33m.

Of the 198 projects, the greatest concentration was in London and the South West. The number from the Midlands was modest—a factor Cary attributes partly to the problem of communicating with those with the ideas because he is based in Bristol. He has therefore felt compelled to establish some representation in the Midlands and plans to open a London office.

Cary's operation has attracted the attention of government; the Department of Industry has looked at the analyses he has prepared from his data. As well as showing the pattern of demand for funds on a geographical basis, he also has a breakdown of the projects by industry.

Top of the list are engineering / manufacturing projects, which accounted for 98, or 44 per cent of the total. The service industry was next with 20 per cent and there then followed amusement / leisure, retailing / distribution, high technology and food with 20, 17, 10, 7 and 2 per cent respectively.

The average level of finance sought in the December 1978 to May, 1981 period was £120,145, though if projects seeking more than £1m are excluded the average drops to £90,811.

The average number of enquiries received in respect of each project featured is just under three, though the numbers in a small proportion of cases can be as high as 25 or more, as was the case with a patented DIY construction system.

Venture Capital Report, 2 The Mall, Clifton, Bristol BS8 4DR. Telephone 0272 37222.

Nicholas Leslie

If at first you don't succeed, try, try again

Nicholas Leslie reports on a management buy-out which proved lucky at the third attempt

MANAGING DIRECTOR to group chairman: "I want to buy my company. I will offer you £Xm."

Group chairman in reply: "Certainly not."

What to do now? Has the senior executive burnt his boats? Will he be sacked as a malcontent? Should he retreat? Or is there any hope of his changing the chairman's mind?

In Geoff Chapman's case the answer was to press ahead with so much resolution that at the end of the day he achieved his goal. Just over two months ago he and fellow director Brian Perriman gained control of their company, Barkway Electronics, and feel they are now on the brink of a new era of opportunity. They expect not only to broaden the range of their products — the company makes intercom systems—but also to penetrate new markets overseas.

But achievement of that goal will clearly take a considerable effort. Not only has the company a somewhat turbulent history, but it also faces very considerable competition from a strongly established Scandinavian intercom industry and major international groups.

As the current fashion for "management buy-outs" gathers pace, there are few experts offering a ready answer to the question any managing director of a subsidiary company probably feels is one of the most crucial. How do you approach the main board with an offer without risking a rejection and damaging your position. Judging by Chapman's experience, there is no easy answer.

Chapman arrived at Barkway in 1972 having been attracted to the job of marketing manager because "I thought it had potential and I was fed up with selling foreign products." His previous employer had been Pye, which was then marketing a range of Continental intercom systems; shortly before Chapman's departure it had been taken over by Philips.

Even then, Barkway already had a somewhat chequered history. It had been set up in 1967 by Robert Craig, an ex-engineer from Stentafon, a major Norwegian intercoms manufacturer. While proudly claiming to be the first British manufacturer of intercoms and aiming its products at the office market, it failed to make money and in 1972 Barry Tyler, the private plant hire group that backed Barkway at the outset, was looking for a buyer.

The eventual purchaser was Brendan Sutton, a private investment group which had interests ranging from shoes to hamburgers — strange bedfellows, indeed, for an intercom manufacturer.

Chapman's arrival at Barkway virtually coincided with this change of ownership. "A lot needed to be done," says Chapman. "The first problem was that the main product was not selling in sufficient numbers for it to be viable. So we decided to re-package it, and to make an industrial/marine unit and a unit for old people's accommodation."

What Chapman was looking for was gaps in different markets. "We couldn't afford a lot of development, so we just had to find markets for what we had."

Fashion

This approach was sufficiently successful for the company to turn in a small profit in 1975. But then things seem to have gone wrong again. Key executives left and their replacements provoked some personality clashes. Chapman and Brian Perriman, the present engineering director, became dissatisfied with the relationship between Barkway and the parent company, a state of affairs which eventually provoked him into sounding out City sources—and particularly the Industrial and Commercial Finance Corporation—with a view to getting backing to buy out the majority holding. In other words, a classic management buy-out, though in 1975 well in advance of what has now become high fashion.

At this point Chapman did not raise the question with the parent company of buying Barkway, which was perhaps just as well since ICFC turned him down, largely because of Barkway's lack of a track record, he says. He received a similar negative response from both the National Enterprise Board and the National Research Development Corporation.

But though he failed to get backing he does reckon that his attempts were successful in one — albeit rather perverse — respect. ICFC referred him to Tony Stevens, then manager of its Technical Development Capital subsidiary. "He took me apart when he was asking me questions about the state of the company," says Chapman. "I learnt a lot from that."

Hugh Routledge

Geoff Chapman (left) and Brian Perriman: ultimate aim to go public

Chapman and Perriman began looking for alternative backing, and eventually, via a friend, Chapman made contact with Audix, of Saffron Walden, a private manufacturer of audio equipment. However, it was not until a year later, in 1977, that Brendan Sutton finally agreed to sell for £130,000.

But if ever there was a case of out of the frying pan and into the fire this was it. In retrospect, it is a wonder that the warning bells signalling another personality clash did not ring out loud and clear. For Chapman is a man in a hurry, keen to plough cash into developing new products and aggressive in his approach to marketing. Charles Billett, founder and chairman of Audix, is by his own admission cautious, preferring to take things at a steady pace and believing in funding his business internally and without borrowings.

After 40 years of running his own show, Billett clearly has his own way of doing things and was not prepared to give Chapman the degree of independence he believed was his due, particularly as a substantial minority shareholder. For, under the terms of the deal whereby Audix made its investment, Chapman and Perriman had taken a 40 per cent stake in Barkway, split respectively, two-thirds: one-third.

Chapman says he was starved of funds for development from the beginning of the Audix association. Billett maintains that Chapman's demands were extravagant. Whatever the merits of the arguments it certainly does appear that Barkway was operating within the stricture of a very low overdraft limit.

Other problems arose — the biggest, according to Chapman, being lack of space. The business had outgrown its small premises in the village of Barkway, near Royston, Hertfordshire. He wanted to shift the headquarters into a larger factory in Royston — a move vetoed by Billett, but today is imminent.

The worsening relationship between the two sides eventually reached a flashpoint soon after Chapman negotiated a licence with a Norwegian intercom manufacturer — a move he maintains was necessary because he had not been able to do necessary development, but for which he was criticised by Billett.

Early last year, after sounding out both ICFC and Charterhouse, another leading City investment bank, to gauge the availability of funding, Chapman suggested to Billett that he should sell his Barkway holding. Billett rejected the idea out of hand and there then ensued a period of fruitless toing and froing over several months, with Billett threatening to replace the Barkway management.

Deadlock

Chapman continued to press his case, sustained largely by having a minority holding. Without it, his chance of success would probably have been zero. With it he eventually felt compelled to take an extreme course of action — threatening to petition for a compulsory winding up of the company on the basis that, as a substantial minority shareholder with Perriman, it was the only way to protect the minority position.

This generated, not surprisingly, deadlock for several weeks. It was broken by Billett finally deciding to offload his interest and suggesting a deferred buy-out over three years.

Chapman offered £130,000 for the 60 per cent holding. Billett said he wanted that, plus a further £20,000 in six months and then £50,000 in three years' time — his argument for the price being that he had taken nothing out of Barkway in his period of ownership. Chapman got the final payment down to £40,000 for a total £190,000 which ICFC subsequently agreed to fund by way of loan and preference shares. With a new company set up to effect the deal, ICFC has a 30 per cent stake and Chapman and Perriman 70 per cent between them.

ICFC says it was attracted to Barkway because of its management and because "it had products that were attractive." It was, adds ICFC, "obvious that the company had had its problems at the start. But there were noticeable changes in its fortunes when Chapman and Perriman came into it." The corporation acknowledges that further funding will be necessary later for product development.

In the first flush of his involvement with ICFC, Chapman is relishing the independence he feels he now has. He says some significant changes have taken place in the way he can now operate. Firstly, with institutional backing he has been able to negotiate a much higher overdraft limit with his bank. Secondly, he says that, to be able to say that he now controls the company and has major institutional backing "carries a lot of weight abroad."

Chapman says that since he joined Barkway in 1972 turnover has risen from £30,000 a year to £600,000. He is aiming for £750,000 this year with about 40 per cent represented by exports. Gross profits are close to 20 per cent of turnover and Chapman reckons that up to a quarter of these should be ploughed back into R and D.

Eventually, he aims to make Barkway a public company—but that is clearly some years away. Meanwhile, he and Perriman have quite a task on their hands ensuring that the ICFC debt is repaid and that they meet their own costs of buying a sizeable share of the company. As ICFC puts it: "The next two years will be very taxing for them."

LOMBARD

Labour's false view of Europe

BY JOHN WYLES IN BRUSSELS

"I POINTED out that when President Mitterrand is elected, he will encounter many obstacles to implementing his policies," warned Mr Tony Benn here last December. He was talking to a sceptical meeting of European Parliament Socialist Group members about the practical impossibility of pursuing socialist policies as a member of the EEC. Unfortunately for Mr Benn the prescience of his remark has been outweighed by its inaccuracy. Brussels, that guardian of the free market, has not attempted to build a single roadblock in front of the triumphant march of French socialism and is unlikely to do so on the basis of current policy developments.

Policies

Yet the Labour Party persists in believing that membership of the Community will tie a future Labour Government hand and foot to the totem of capitalism and prevent it using the policies needed to launch the UK on the road to recovery. According to the party's document on withdrawal from the EEC, the policies most offensive to the Treaty of Rome would be "longer term, wider ranging" controls on manufactured imports.

They would also include the restoration and strengthening of exchange controls, a comprehensive planning strategy that would "go against the whole free market philosophy of the Community" and controls on direct investment overseas.

This argument seems to me to be based on a wilful and meretricious misunderstanding of the EEC.

Not only does the Labour Party appear ignorant of the EEC, it appears to understand nothing of international politics. Although it might seem to be a dead fish for long periods, the Community is a living political organism with a great deal of evolution ahead of it. It also responds to the democratic imperative. If there is a democratic change of government in one member state, then the broad thrust of the new government's policies have to be accommodated.

"Wait a minute," says the Labour Party, "we are going to be so radical that there is bound to be a punch up and we don't want to upset our socialist friends in the EEC by disrupting the Community." This not only slurs the "socialist friends" by implying that only the British Labour Party is the keeper of the true socialist tablets. It also ignores the fact that European socialists would regard British withdrawal not only as an unnecessary disruption of the Community but also a setback for the cause of socialism in Europe.

The Labour Party has done a service by re-opening the debate on EEC membership because the purpose, value and direction of the Community needs to be constantly debated. But it will be a tragedy if the pro-Community cause is pushed back on the defensive. The Party must be made to explain how it hopes to build socialism in an economy as interdependent and vulnerable as the British after rejecting an economic and political alliance in which it has many sympathisers. If the party believes its own rhetoric then it knows that vengeful multinationals and controllers of capital will want to make life as tough as possible for a socialist Britain. Why forfeit the possibility of taking your Community allies, each as desperate as you are for economic recovery, down the same policy road and thus gaining safety in numbers?

Past mistakes

The reason is two fold. One is an embarrassing parochialism in which the party and its trade union supporters avert their eyes from "abroad"; to try to understand what makes Germany work or the Netherlands so prosperous would require a greater readiness to acknowledge the British Labour movement's past mistakes and present shortcomings.

The other reason is that having once agreed a policy within their own "broad church" most Labour leaders have neither the energy, nor much talent, for Community politics. This is surprising since the essence of so many Community agreements is that they leave member states free to do broadly what they want to do. They are a fudge, a bit like Labour Party policies used to be.

A market renaissance for the sponsor

FILM AND VIDEO

BY JOHN CHITTOCK

THE UK population of videocassette recorders is growing fast. There are now around 850,000 machines in use, with the magic million a certain achievement before the end of the year.

The pattern is the same elsewhere, as for example in the U.S. where in June 1981 video recorder sales were up by 110 per cent over the previous June figure. The UK population of video recorders by 1985 should easily exceed 3m, and in the U.S. 7m.

The story and the facts are now familiar and give a final end to the arguments which this column has sometimes sparked off among the film purists who disbelieved that video would make a substantial impact. For those in the sponsored and industrial film business, that impact is now beginning to be felt and is now throwing up one or two unexpected consequences.

Originally, the raison d'etre of the sponsored film was the communication of messages, ideas or images—or even just a scattering of goodwill—with industrial companies paying the production costs and almost invariably the distribution costs. With about 100,000 16mm projectors in the UK, mostly sited at places where audiences are readily assembled (e.g. film societies, clubs, factories), the distribution of 16mm sponsored films has been a fairly bespoke operation.

This tedious and expensive way of reaching often devoted viewers has worked well enough to build the industrial film industry into something special; well enough to ensure that nearly every large company in Britain has become a regular or occasional sponsor. But one great shortcoming has always prevented the business from becoming as substantial as, say, the advertising industry: the difficulty in reaching really large audience numbers, especially stop-at-home domestic viewers.

Video is slowly changing that, and for the commercial libraries which have specialised in providing 16 mm distribution services for sponsors, a major shift in policy may become inevitable.

The kinds of films traditionally available on 16 mm free loan have ranged across the entire spectrum of social activity—not merely industrial subjects—such as a whole series on motor sports from Castrol to a 17-minute insight into the history and care of the dog, sponsored not surprisingly by Pedigree Petfoods.

The two examples are chosen somewhat deliberately, because therein lies a dilemma created by video. The Castrol films are available on loan from the sponsors for a very nominal handling charge of £5 for a programme package of three titles. The film *Living with a Dog* is available on free loan from one of the major 16 mm libraries, Guild Sound and Vision.

The latter is also available from the library on free loan as a videocassette; but if anyone wishes to obtain videocassettes of the Castrol films they must go to a local video retailer who handles cassettes distributed by IPC Video—which lists the purchase price of Castrol videocassettes at a fully commercial £27.49.

Living with a Dog was released in 1977. However, very recently Pedigree Petfoods have sponsored another, specifically for videocassettes and called *All You Need to Know About Dogs*. On this occasion, however, it was made for them by a new company—Commercial Video—which sells it to the public for £19.50.

What is happening is that some subjects of general interest but compatible with sponsoring motives—such as cookery and British Gas Corporation, car driving and the Department of Transport—are available free of charge on 16 mm, but with the size and appetite of the new domestic video audience, a case may be emerging for making the viewer pay.

Some sponsors, such as British Telecom, resist the concept of making the viewer pay. They say that their motives in making films are defined as part of their public relations policy: they are not in the film or video investment business.

The Department of Transport's film *The Driving Test*, distributed by the Central Film Library, is a case in point—on free loan, much liked by instructors as well as learner drivers; and of all borrowings, only 14½ per cent are in its 16 mm version (the remainder are 50½ per cent videocassette and a surprising 35 per cent on 8 mm film). Yet this is the very kind of subject over which commercial video companies are salivating—knowing that 2m people take a driving test in Britain each year.

So when is a sponsored film not a sponsored film? Can this be really too good to be true, that some subjects important enough for a sponsor to commission and distribute free of charge are nonetheless so much wanted by the public that they will pay for them anyway? Or, if the subjects are important enough to be "commercial" on video, what great new opportunities does video offer the enterprising sponsors whose only consideration is reaching a large audience at minimum cost?

There is of course a snag. One loan of a 16 mm film may mean an audience (on average) of about 50 people. A videocassette at best will be seen by two or three. Nonetheless one 16 mm print costs the sponsor 10 times the price of a cassette, and it will probably last for only 30 to 40 bookings against at least a dozen times that number for a videocassette. So with the right distribution machinery, the end result can be the same—yet with a potential audience vastly bigger, growing in numbers daily, and possibly more precisely targeted.

It means that the sponsored film, increasingly dominated in recent years by the specialised and narrowly aimed subject, may experience a renaissance in undertaking subjects of appeal to general audiences. The "films" will be viewed on video, but the sponsors with consumer interests—always the most difficult to distribute on 16 mm—will find an eager audience available. The TV commercial may no longer have it all its own way in the future.

This poses a special problem for the traditional 16mm library, geared up to reach a relatively small number of borrowers. Encouraged by the smell of profit, the video distributors with their mass retailing outlets and experience may usurp the conventional sponsored film library's position.

Instead of the film searching for the audience, it may start to happen the other way round—especially if sponsors make their films available on cassettes through local video shops. Guild Sound and Vision are already doing this with feature films on a commercial basis.

Why shouldn't all the builders and architects in Bradford, for instance, be able to borrow locally a free video copy of British Gypsum's latest film *Plasterboard Today* and view it at home as I did last week? The only thing against it is that the film in question is too low on really useful information to appeal (but has some stirring music by two chaps called Wagner and Mozart).

If you know where to go, free loan videocassettes on a range of general interest subjects are already available. But they rest on the shelves of sponsored film libraries who traditionally seek audiences from one central point. So, whereas another of Commercial Video's sponsored cassettes — *Enjoy Better Golf* (courtesy of Courvoisier) — costs £19.50 through retail video shops, BP's delightful series *The History of the Motor Car* is available on free loan.

It is a curious situation. For the film libraries it is a challenge they must meet. But for the sponsored "film" industry as a whole it could yield a drastic re-think and turn the business into something really big for the first time.

Fast-ground specialists favoured

RACING

BY DOMINIC WIGAN

A WEEK'S hot weather on the South Coast, interrupted only on Thursday night by rain, has left Brighton riding fast and racegoers there today will do well to concentrate on the firm ground specialists.

Two in this category worthy of the closest scrutiny are the Lorenzaccio gelding, Haddfan, among the runners for the Town Hall Handicap, and the underrated Hoodwink who goes for the Downs Stakes an hour later.

Haddfan, a winner three times already over this undulating and heavily cambered course, returned to the winners' enclosure here after a long absence with a well-merited 1½ lengths success over Monte Acuto last month.

That win, which came as something of a surprise following several disappointing efforts, seems to have put fresh heart in Haddfan. He can gain his fourth victory in 17 attempts since the start of last season by taking advantage of the weight he receives from this course's seven-furlong winner, Widd.

Hoodwink, whose in-form handler, Nick Vigors, has a habit of picking up prizes here and at Epsom, has yet to open his account after 13 attempts. However, this will not long be the case, judging by his second-placed run behind Bila Shaka here early last month.

A well-made son of No Mercy, out of the French Beige mare Rose Blanche, Hoodwink can finally get off the mark by outpacing Yarmouth's recent winner Silk Fashion.

Two-year-old events at Brighton usually prove a sound medium for backers and I expect this afternoon's two events in that category to bear this out and be won by the favourite and second favourite. Suggestive ought to justify market positions in the Alfriston Stakes, while Wish 'n' Time can surprise the supporters of Diamond Shoal by beating that colt in the Duke of Norfolk Memorial Nursery.

BRIGHTON

2.00—Suggestive
2.30—Haddfan
3.00—Wish 'n' Time***
3.30—Hoodwink**
4.00—Crystal Gael
4.30—Pontin Lad

REDCAR

2.45—Silly Moo*
3.45—Princess Arabella
5.15—Kind Music

AYR

7.50—Hollywood Party
8.50—Green Dawn

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.35 The Wombles. 10.00 Jackanory. 10.15 Cheggers Plays Pop. 10.35 Why Don't You . . .? 1.12 pm Regional News for England (except London). 1.15 Midday News. 1.30 Heads and Tails. 2.30 Welsh Eisteddfod. 3.50 Goreuon Gwyfryn. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Joey and Redhawk (Part 2). 5.05 John Craven's Newsround. 5.15 Squirrel on my Shoulder.

5.40 Evening News.
5.55 Regional News Magazines and Nationwide.
6.20 Doctor Who.
6.45 Medical Express.
7.15 Tuesday Film: "Joe Panther" starring Brian Keith.
9.00 Nine O'clock News.
9.25 Checkpoint Berlin: Documentary to mark the 20th anniversary of the Berlin Wall.
10.25 Kelly Monteith: Comedy series.
10.55 Come Dancing.
11.38 News Headlines.
11.40 The Fishing Race.
12.10 am Weather.

All Regions as BBC1 except at follows:

BBC Cymru/Wales—2.30-4.20 pm Yn fyw o'r maes, defod y Coroni. 5.15-5.40 Yr awr fach. 5.55 Wales Today. 6.20 Tom and Jerry. 6.35-6.45 Newyddion. 9.25-10.25 Eisteddfod genedlaethol Maldwyn a'i Chyffiniau. Pigion y Dydd. 11.40 Checkpoint Berlin. 12.40 am News and Weather for Wales.

Scotland—9.50-10.00 am The House that Joe Built. 10.15-10.35 BZZZ. 1.10-1.15 Scottish News. 5.55-6.20 Reporting Scotland. 12.10 am News and Weather for Scotland.

Northern Ireland — 4.18-4.20 Northern Ireland News. 5.55-6.20 Scene Around Six. 12.10 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Nationwide (London and South East); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
4.50 pm Open University.
6.55 Six Fifty-Five Special.
7.30 Mid-Evening News.
7.40 My Music.
8.05 Taking the Strain.
8.30 Platform One: Paralysed.
9.00 Rhythm On Two with George Shearing.
9.25 Maybury.
10.15 The 20th Century Remembered: Lord Brockway.
10.45 Newsnight.
†11.30 Laurel and Hardy.

LONDON

9.30 am Larry the Lamb. 9.40 Who's Afraid of Opera? 10.10 Hands. 10.35 Dick Tracy Cartoon. 10.40 Little House on the Pairie. 11.30 Freetime. 12.00 pm Paperplay. 12.10 Pinkins. 12.30 Home and Design. 1.00 News at One. 1.20 Thames News. 1.30 About Britain. 2.00 After Noon Plus: "Adapting to Fashion." 2.45 Sounding Brass. 3.45 Cabbages and Kings. 4.15 Speedy Gonzales. 4.20 Razzmatazz. 4.45 Heavens Above. 5.15 Diff'rent Strokes.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Years of Lightning.
7.30 The Jim Davidson Show.
8.00 George and Mildred.
8.30 You're Only Young Twice.
9.00 The Spoils of War.
10.00 News At Ten followed by Thames News.
10.30 Band of the Year.
11.30 The Questors.
12.00 am Three's Company.
12.25 "Sit Up and Listen" with Wilfred Josephs.

All IBA regions as London except at the following times:

ANGLIA

9.30 am Sesame Street. 10.30 Hands. 10.55 The Walt Disney Classic. 11.05 Spread Your Wings. 11.35 Portrait of a Village. 12.30 pm Gardening Today. 1.20 Anglia News. 5.15 Bygones. 6.00 About Anglia. 7.30 Star Parade. 11.30 The New Avengers. 12.30 am Anthology.

ATV

9.35 am Here Comes Mumfie. 9.50 Kids at Play. 10.10 Bailey's Bird. 10.35 The Further Adventures of Oliver Twist. 11.00 Sesame Street. 12.30 pm Gardening Today. 1.20 ATV News. 5.15 Happy Days. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.30 Charlie's Angels. 11.30 ATV News. 11.35 Beyond Westworld.

BORDER

9.30 am Sesame Street. 10.30 Morning Matinee. 12.30 pm A World Worth Keeping. 1.20 Border News. 5.15 Welcome Back Kotter. 6.00 Lookaround Tuesday. 11.30 Border News Summary.

CHANNEL

12.30 pm Gardening Today. 1.20 Channel Lunchtime News. 6.00 Channel Report. 6.10 Spiderman. 7.30 Hagen. 10.28 Channel Late News. 11.30 Commentaires et Prévisions Météorologiques.

GRAMPIAN

9.45 am First Thing. 9.50 Wild, Wild World of Animals. 10.40 Sesame Street. 11.35 The History of the Motor Car. 12.30 pm Gardening Today. 1.20 North News. 5.15 End of Part One. 6.00 Summer at Six and Area Weather. 11.30 North Headlines and Area Weather Forecast. 11.35 Paris by Night.

GRANADA

9.30 am Dick Tracy. 9.35 Target the Impossible. 10.00 Cartoon. 10.10 Who's Afraid of Opera? 10.35 The Adventures of Niko. 11.00 Sesame Street. 12.30 pm The Sullivans. 1.20 Granada Reports. 3.45 The Electric Theatre. 5.15 Mork and Mindy. 6.00 Granada Reports. 6.05 Time Off. 6.25 This is Your Right. 7.30 Hagen. 11.30 Motorway.

HTV

10.10 am The Splendour Falls. 10.35 Gun Glory. 12.30 pm Gardening Today. 1.20 HTV News. 5.15 Popeye. 5.20 Crossroads. 6.00 Report West. 6.30 Into the Labyrinth. 7.30 Vegas. 10.28 HTV News.

HTV Cymru/Wales—As HTV West except: 10.35 am Festival of Fun and Friendship. 11.00 Eisteddfod Genhedlaethol Maldwyn A'i Chyffiniau. 12.00 Cwadr Cwac A'i Ffrindiau. 2.00 pm Custom Cars. 2.15 Disney Cartoon. 2.25 The Royal National Eisteddfod of Wales. 3.30-3.45 Disney Cartoons. 4.15-4.45 Camigam. 6.00 Y Dydd. 6.15 Report Wales. 6.30 Eisteddfod Genhedlaethol Maldwyn A'i Chyffiniau. 7.00 Into the Labyrinth. 7.30 Years of Lightning. 8.00-8.30 Max Bygraves. 10.30 Ewsoadi. 11.30 The Spinners.

SCOTTISH

9.50 am The Human Face of China. 10.15 Kum Kum. 10.40 Welcome to the Ceilidh. 11.05 Bailey's Bird. 12.30 pm Gardening Today. 5.15 Pet Subject. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Father, Dear Father. †10.00 News and Scottish News. 11.30 Late Call. 11.35 Afloat.

SOUTHERN

9.35 am Untamed World. 10.00 Young Ramsay. 10.50 History of the Motor Car. 11.15 Stingray. 11.45 How. 12.30 pm The Sullivans. 1.20 Southern News. 5.15 Dick Tracy Cartoon. 5.20 Crossroads. 6.00 Day by Day. 7.30 Hagen. 10.00 News followed by Southern News Extra. 11.30 Superstar Profile. 12.00 Weather Forecast followed by How to Use a Vicar.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. †9.30 Morning Movie. 12.30 pm England Their England. 1.20 North East News and Lookaround. 5.15 Worzel Gummidge. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.30 Charlie's Angels. 10.30 North East News. 11.30 Run From the Morning. 12.00 Will Your Anchor Hold?

ULSTER

12.30 pm Bygones. 1.20 Lunchtime. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.30 Square One. 7.30 Hagen. 10.29 Ulster Weather. 11.30 Bedtime.

WESTWARD

9.30 am The Galway Way. 10.30 Bailey's Bird. 10.55 Call It Macaroni. 11.15 Sally and Jake. 11.30 England Their England. 11.55 Wattoo Wattoo. 12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 Westward News Headlines. 5.15 Happy Days. 6.00 Westward Diary. 7.30 Hagen. 10.32 Westward Late News. 11.30 Faith for Life. 11.35 West Country Weather Forecast.

YORKSHIRE

9.40 am Wild, Wild World of Animals. 10.05 The Beachcombers. 10.30 Animated Classics. 11.30 George Hamilton IV. 11.55 Wattoo Wattoo. 12.30 pm Cabbages and Kings. 1.20 Calendar News. 3.45 Calendar Tuesday. 5.15 Survival. 6.00 Calendar (Emley Moor and Belmont editions). 11.30 Paris by Night.

(S) Stereophonic broadcast
‡ Medium Wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Andy Peebles. 11.00 Simon Bates with the Radio 1 Roadshow from Cleethorpes. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell, including 5.30 News Beat. 6.00 Top 40 Singles Chart. 7.00 Dave Lee Travis with Wheels. 8.00 Richard Skinner. 10.00 John Peel (S).

RADIO 2

5.00 am Colin Berry (S) including 6.15 Pause for Thought. 7.30 Terry Wogan (S) including 8.33 Racing Bulletin. 8.45 Pause for Thought. 10.00 Jimmy Young (S). 12.00 John Dunn (S) including 1.45 pm Sports Desk. 2.00 Ed Stewart with Family Favourites (S), including Sports Desk. 4.00 David Hamilton (S), including 4.45 Sports Desk. 5.45 News. 6.00 David Symonds (S) with Much More Music, including 6.45 Sports Desk. 7.30 Cricket. 8.00 Jim Reeves and his Music (S). 9.00 Marching and Waltzing (S). 9.55 Sports Desk. 10.00 You've Got to be Joking. 10.30 "Patterson," a comedy. 11.00 Brian Mathew with Round Midnight, including 12.00 Midnight News. 1.00 am Truckers' Hour with Sheila Tracy (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert: J. C. Bach, Saint-Saens, Verdi, Herold (S). 8.00 News. 8.05 Morning Concert (continued). Bax, Vaughan Williams, Alkan, Faure. 9.00 News. 9.05 This Week's Composer: Handel (S). 10.00 Vega Wind Quartet Recital: Farkas, Arnold, Francaix, Poulenc, Ligeti, Berio (S). 11.25 Schubert Sonatas piano recital (S). 12.20 pm Cardiff Midday Prom (part 1). Samuel Barber. 1.00 News. 1.05 Six Continents. 1.25 Concert (part 2): Copland (S). 2.15 Chilingirian String Quartet Recital: Prokofiev, Mozart, Bax, Haydn (S). 3.50 The Younger Generation Concerto for harp and orchestra (S). 4.25 Jazz Today (S). 4.55 News. 5.00 Mainly for Pleasure with Christopher Grier (S). 7.00 Let the Peoples Sing—choral competition (S). 7.30 Proms 81 direct from the Royal Albert Hall (part 1). Haydn, Mozart (S). 8.20 What Books I Please—talk by A. S. Byatt. 8.40 Proms 81 (part 2). 9.30 A Memorable Scene: "The Rise of the Dutch Republic" by J. L. Motley (1814-1877) (S). 9.50 20th-Century Piano Music Recital: Bartok, Schoenberg, Dallapiccola (S). 10.35 Surprise Visit by Antonia White. 11.00 News. 11.05-11.15 Vivaldi (S).

VHF Only—Open University 5.55-6.55 am and 11.15 pm-12.55 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.45 The Spy Who Came in from the Cold. 9.00 News. 9.05 Tuesday Call. 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.27 Miles of London (S). 12.55 Weather. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 The Red and the Black (S). 4.00 Happy Returns. 4.15 Roderick Jones. 4.45 Story Time. 5.50 Shipping Forecast. 5.55 Weather. 6.00 The Six O'Clock News. 6.30 Brain of Britain 1981 (S). 7.00 News. 7.05 The Archers. 7.20 Medicine Now. 7.50 Something to Perfection Brought. 8.35 Talking About Music with Antony Hopkins (S). 9.05 In Touch. 9.30 Kaleidoscope. 10.00 The World Tonight. 10.30 The Jason Explanation (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 The Great Instrumentalists. 12.00 News. 12.15 am Shipping Forecast.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.30 Morning Star. 10.30 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn: Hints on Holidays. 5.00 The Evening News. 5.15 Music on the Move. 6.33 Openings: preview of the week's new plays and shows. 7.30 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from The House of Commons. 11.00-6.00 am Join Radio 2.

London Broadcasting

5.00 am Douglas Moffit and Douglas Cameron. 10.00 Brian Hayes. 11.50, 12.00, 4.00 pm LBC Reports. 7.00 London Life. 9.00 Nightline. 11.00 LBC Reports. 1.00 am Night Extra. 4.00 LBC Special. 5.00 Morning Music.

Capital Radio

4.00 am The Early Show. 7.00 The Breakfast Show. 10.00 Sarah Ward. 12.30 pm Nicky Horne. 1.00 First Report. 1.10 Nicky Horne (continued). 3.00 Roger Scott. 6.30 London Tonight. 7.00 Capital Radio Jazz Festival. 8.30 Peter Young (rock music). 10.30 The Late Show. 12.00 Midnight Special. 12.03 am Capital Nightcap.

F.T. CROSSWORD PUZZLE No. 4,637

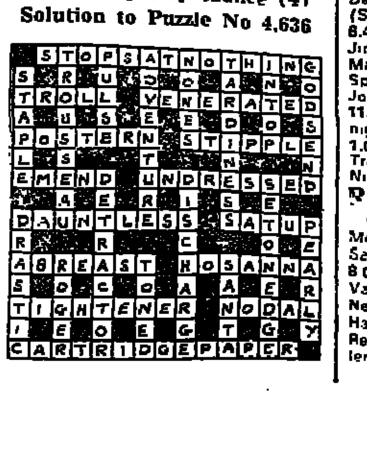
ACROSS

1 Row of possessory terms (4, 5)
6 Right to step back and go through that again (5)
9 Married song girl (5)
10 Timekeeper heard dwarf in the underground (9)
11 Where everybody is passing the buck (6, 4)
12 Elegant but tailless bird (4)
14 When to banter with all that jazz (7)
15 Crime squad coming to maturity in distance (7)
17 Environment in state of decline (7)
19 Leave house one pace adrift (4, 3)
20 Music to expect from one of the Stones (4)
22 Distribution has country guessing (10)
25 Last in our arrangement for keeping conductors apart (9)
26 Frank gets even (5)
27 Engagement essay Eliot initially returned (5)
28 Stand for soldiers on stage (9)

DOWN

1 To be busy I would have to be a bit wet (5)
2 Military flare-up of little importance (4, 5)
3 Query order given to me with any offers (4, 2, 1, 3)
4 Run into attendant in storm (7)
5 Had too much feeling yet it's a muddle (7)
6 Bird cornered on board (4)
7 Stuff the clergy (5)
8 Knowing in advance how the Channel Islands enter in time now (9)
13 Delivers plenty of publicity material (4, 6)
14 The others shower with Tom starting to check (9)
16 Hate to be a man I twisted (9)
18 Show off key to beastly children (7)
19 Agitate about right to rest when in the saddle (7)
21 Copper retiring? It's easy (5)
23 Saw ascending composition (5)
24 Fool caught by chance (4)

Solution to Puzzle No 4,636



ENTERTAINMENT GUIDE

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THEATRES

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FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

THE ARTS

Portrait Gallery/Madam Tussaud's

Capturing the new Princess by DAVID PIPER

Royal portraiture is not a subject liable to inflame intellectual appetites, but it is nevertheless a fact of life. Even if royalty is swept away, heads of state, prime ministers, dictators, all find that portraits of themselves are necessary—if only as ambassadors to colonial outposts, and like ambassadors no doubt sent to lie abroad for the good of their country. Even Cromwell found that to be so (shown, incidentally, with less than the full complement of warts). Submission to the formal portrait-makers was therefore one of the ordeals which Lady Diana Spencer would have to undergo. An ordeal at least more limited than ordeal by press photographers. And so she has been unveiled, formally, first in Madame Tussaud's among her peers, and second, in the National Portrait Gallery—briefly solo at the top of the entrance stairs, before moving alongside the companion portrait of her husband, as Princess of Wales.

It is difficult to know whether Bryan Organ, who has painted her for the Portrait Gallery as earlier he painted the Prince of Wales, has sought out greatness or had it thrust upon him. No doubt a combination of luck and ambition answering a very considerable talent. He has anyway engaged with the very difficult problem of the royal portrait with uninhibited initiative and courage, and so inevitably aroused controversy. His Prince of Wales, seated body in profile, head turned sharply to the spectator, trousers tucked into riding boots, provoked probably more disapproval than approval. In it royalty, is signalled—apart from the fact that the face is recognisable from endless photographs of the subject—no longer by robes, coronets, a proud, commanding stance—but by a Union Jack perked up behind the wall in front of which he sits.

In Lady Diana—as she was—in the Princess of Wales now, there is no built-in clue for the uninformed onlooker, other, again, than the face, which is treated with honesty and directness, yet catching that characteristic — head tilted slightly down, eyes cast slightly up—by which she is perhaps most recognisable (apart from the famous hair-do). Here there is no overt proclamation of royalty: the setting is claimed to be the Yellow Drawing Room at Buckingham Palace, but could be a green wall and pale-blue door in any grand formal reception room. Her clothes are a black trouser suit (commentators claim a first here—no trousered royal ladies in paint before, though breeches or jodhpurs plus a horse are of course another matter). The painting's virtue as a *royal* portrait has to derive therefore from its formal qualities, or will have to when we, even Lady Diana herself, are all dead and gone from responsive memory of her person.

A major problem when a painter works in a tonality tending to the bland and the blond, as artists such as Organ and Hockney have done, is to effect sufficient intensity of focus on the main subject. If the whole painting itself is the focus, given such a tonality, combined with an even but shadowless lighting, a shallow picture space without much recession, and an overall, smooth, impersonal, handling of the paint, the result can come perilously close to decoration as wall-paper is decoration—and indeed the wall-paper each side of the sitter in Bryan Organ's portrait is painted with a delicate precision that compels attention. In slightly blurred reproduction, you might think it reverts rightly to an original condition of photograph. The unsurpassed master, in those paintings of his that have survived in near-mint condition, of this sort of portraiture was Holbein, with a power of welding an unique, minutely detailed physical personality into a monumental statement that seems to possess almost a definable, specific gravity.

Bryan Organ may not yet have achieved quite that degree of vital, tension within stillness, but he gets near it. In this painting, the formality of setting is counterpointed not so much by the fact that the lady is trousered, but by the informal sideways view of the chair on which she sits so formally frontal. That very simply and deliberately establishes that something strange in the proportions that, it has been said, is necessary for beauty.

At the Portrait Gallery as bonus to the Princess of Wales as latest acquisition, there is a small temporary exhibition (till October 4), which must be compulsory viewing for anyone interested in the development of portraiture in Britain, and should provide genuine pleasure for the non-specialist. It is of the work of John Closterman, German-born but based on London between 1681 and his death in 1711; it is centred on two recent acquisitions by him. This is a period from which almost any portrait of quality subsequently was liable to have the name of Sir Godfrey Kneller attached to it. Here however Closterman is revealed as a painter certainly of comparable ability, and of greater variety and originality. In fact, the latter quality may have owed, when most evident, much to an ambitious "programming" by the philosopher 3rd Earl of Shaftesbury when commissioning portraits of himself, and of himself again with his brother in a remarkable darkling wood—both important works, the latter precociously neo-classical in feeling, and a major and recent acquisition for the Gallery.


Trevor Humphries

Bryan Organ's portrait of Lady Diana, and Madame Tussaud's image of her in her wedding dress as the new Princess of Wales

In contrast, in full baroque vein but verging (again precociously) on the rococo, an enchanting group of children of the Taylor family. One of them was to become the eminent mathematician Brook Taylor (the excuse for the Gallery buying the painting). The children act out the family motto about fame and roses, as if a charade costumed from a dressing-up box rich with a rainbow, a riot of fresh and brilliant silks. Unjustly forgotten till now, in his time Closterman painted Purcell, Wren, Dryden, Shaftesbury and Queen Anne. It is his first one-man show, a gem of a little exhibition, elegantly hung and admirably catalogued (by Malcolm Rogers).

From the National Portrait Gallery, on to Madame Tussaud's. The subject matter is much the same as the Gallery (though entry is much more expensive)—the likenesses of the famous. The emphasis is different: as I emerged from the lift into the tasteful foyer, which has traditional busts and paintings (of Victoria and the Prince Consort), a lady said to her child—"Just a few paintings, dear, and then we get to the real thing." So into the twilight of the past: Mary Queen of Scots before her execution; that famous masterpiece, transposed into 3D, "When did you last see your Father?", the dauntless Royalist child facing his Roundhead inquisitors.

And then—good heavens!—Branwell Bronte in person actually at work on the portrait of his three sisters, the painting now in the National Portrait Gallery. At first glance, I hoped this might reveal who is the mysterious male painted out in the original—a self-portrait—or Bronte père?—a much debated problem, but one shirked here. Under her canopy, the Sleeping Beauty's bosom still goes breathing up and down. Thence into the blaze of today—B. Cartland, Hockney, Piggott, Boycott, etc., in all the riveting stillness of their wax amidst the milling throng of living.

Forcing your way through that milling crowd (of the living) to the end of the long chamber, where stand the present Royal Family, you sight Lady Diana. And from the back, thereby establishing a clear advantage — another dimension at least — over Mr Organ's view. Though by the time you read this, she will no doubt have been absorbed safely into the bosom of the family, the impression, as she was at first installed, was almost of an up-dated version of "When did you last see your Father?" She confronts them, fair and square, in the serenity of immaculate innocence. They glare. Perhaps this is something to do with a firm frontal gaze. Or is there, in Tussaud's, a problem, as with metal in aeroplanes, so with wax in effigies, of fatigue? Or simply, is it that the more-or-less old, the wrinklies, whose vitality registers in the ripple of their wrinkles, freeze more fatally in wax than does the perfect—indeed, wax-perfect — complexion of the young in their immaculate bloom?

Lady Diana (as she then was) is indeed well caught—eyes slightly cast down, and of course — famously — in her "real" dress, donated by herself. Now, as the Princess of Wales, she wears that dress. As likeness, splendid, I remarked, knowing her (not of course in person, but in innumerable images via the camera which cannot lie) so well, and yet, immediately, a stout man beside me complained to all in hearing: "Quite unlike. A travesty!" *Well!* But on examination—her eyes, *chez* Tussaud, are certainly larger than in Mr Organ's view. Her colour is higher; her complexion (naturally—or unnaturally?) more waxen, more perfect. Her lips more full. The enormous engagement ring is prominent on her left hand: in Mr Organ's image it is not seen. Close though the likeness is, it is both exaggerated and coarsened.

The particular *frisson* produced by Tussaud's is of course the double-take—is it real or is it an illusion? At the entrance an official stands behind a desk marked *Information*. The answer to a deluded inquirer would be silence. The clothes throughout of course are "real": the living crowd twitches at them, as if to establish some communication. The effigies are among the crowd, many of them on the crowd's level, and often—shatteringly—smaller than you or I. At the Portrait Gallery, portraits are distanced, by the height at which they are hung, by their containment within their compositions and their frames. I suspect the Princess of Wales is happier thus.

Proms

London Sinfonietta

The first of the London Sinfonietta's pair of Proms last weekend, given respectively at the Albert Hall and the Round House, was a club-sandwich affair: three substantial 20th-century works divided by two intervals — an imaginative scheme, framed by Boulez and Messiaen, pupil and master, its centrepiece a fine performance of Berg's Chamber Concerto. If only the Albert Hall, outside its splendid auditorium, were a more congenial place! One interval there, in a cramped and uninviting bar, or wandering the bare circle of corridors, is tiresome enough: two is endlessly glum.

The Boulez work was *Rituel*, now six years old, but still his last completed composition. I heard Boulez conduct its premiere in 1975, and the four or five subsequent performances have only served to reinforce that first powerful impression—he has surely written no work so instantly accessible, or so seductive in its resonance, since the early piece with which he burst upon the musical world in 1955, *Le Marteau sans maître*. Most notable of all are the many layers and textures of *Rituel*, its multitude of references (implicit rather than explicit), the echoes of other music faintly but surely perceived. Even in this rather over-careful performance under Simon Rattle, often ponderous in its tempi, soft-edged in attack, they were magically conjured—a swirl of strings and woodwind, like the swirl of instruments heard through the pink veil of Stockhausen's *Trans*; a sudden priestly cadence of Messiaen; delicate bubbles of Italianate texture, quickly punctured. And many moments more urgently insinuating: the dying-ember tones of gongs, wood-blocks and dark-muted strings; nervous riffs of scraped and shaken percussion; the muffled shriek of brass and clarinet.

The Sinfonietta closed their evening grandly with Messiaen's *Et exspecto resurrectionem mortuorum* as if to point the lineage, and to underline the surprising, hieratic grandeur itself of the opening piece. Meanwhile, a very pleasing account of Berg's Chamber Concerto, notable especially for the distinguished playing of the two soloists—Paul Crossley's reading of his piano part, unusually smooth, supple and sensuous; and Mark Kaplan's violin, calm and beautifully modulated, an inward-searching voice, passionate and serious.

DOMINIC GILL

Three recent and gentle pieces at Sunday's Prom—the better to set off Harrison Birtwistle's fierce little *Silbury Air* at the end. *Silbury Air* has become a London Sinfonietta party-piece; its overlapping sections tick away balefully in their disjoint tempi, sometimes shrinking to one throbbing note and sometimes coalescing to proceed on several planes at once, and the effect is still strangely disturbing. Though ordinary development is the last thing it aims at, each new phase comes into earshot with bleak inevitability, as though the composer were directing our attention successively to bits of a whole soundscape which continues without us. It is too impersonal to give the Sinfonietta players overt opportunities to shine, but they played it impeccably under Ronald Zollman.

The newest work was Elisabeth Lutyens' op.150, *Fleur du Silence*, a compact cantata on a text by Remy de Gourmont. Seven players accompanied Philip Langridge's measured exposition of the words (about four colours of rose, with the refrain "Fleur Hypocrite, Fleur du Silence"). The tenor's stanzas are framed by a characteristic Lutyens flourish for all the instruments, delicate and immediately memorable: the stanzas themselves are concise, sharply varied effusions, each with its proper perfume. There is a particularly beautiful cadenza (violin, then viola) just before the circle is finally closed. All the writing is transparent but expressively laden, without any conventional devices beyond the soft gong-clash that tends to occur upon the word "Silence."

Nigel Osborne's *In Camera* is a very good piece, thoughtfully argued in mild, uninsistent tones. It treats the Sinfonietta simply as a democratic body of soloists: here and there an individual voice is highlit—notably the guitar (Timothy Walker) in the last of its three movements—but none holds any principal role throughout the work. A flashing scherzo in the middle is almost apologetically restrained (and rather quickly suppressed), as if too much brilliance would be an error of tact. The music opens itself shyly to the ear, and gives full satisfaction in an entirely musicianly way. Tim Souster's new Sonata, a chamber piece which cultivates echoes of Duke Ellington, sounded much less self-contained.

DAVID MURRAY

Finnish Festivals—2

Kuhmo Chamber Music by DAVID MURRAY

Kuhmo lies at 64° N, 30° E—just this side of the Russian border and not far below the Arctic Circle. With its endless lakes and forests, eastern Finland looks uncannily like Nova Scotia, even to the purple-spiked flowers by the roadside and the clapboard cottages. Where Canadian lakes are haunted by the lonely cry of the loon, however, Finnish ones resound to the hearty shouts of loons leaping into them from their saunas every summer night, while the eleven o'clock sunset shades imperceptibly into the immediately following dawn. And in Kuhmo, a town of 7,000 souls (twice as many if you count the outskirts), cosmopolitan chamber music goes on day and night.

The Kuhmo Festival was invented 11 years ago by a young Finnish cellist, Seppo Kimanen. Chamber music courses and master classes begin before the Festival proper, and run concurrently with it. Classes, concerts and communal meals happen in the local primary school, though there are also performances in the handsome wooden Kuhmo Church and in outlying villages. By now the performers include not only the distinguished teachers in residence, but other international visitors drawn by Kimanen's blandishments and the attractions of the place. (The town is tidy and nondescript, the location lovely and unspoiled.) The audience is fortified by music-lovers from Helsinki and still further afield, but it takes its cues from the hundred and more student players, keenly discerning and generous, who hurry from classes to concerts and back. The standards are high, the atmosphere altogether infectious, concentrated by the rapturously brief Finnish summer: I have met nothing like it.

There are no formal pretensions. The artists perform mostly in T-shirts, and the sense of musicians playing simply for each other is very strong — though classical groupies turn up too. (A British player, backing off hastily from a persistent girl from Lahti with a pretty pout: "Now *that* one's a three-Hail-Marys-and-a-call-to-the-missus. . . .") Some of the music is drawn from the already polished repertoires of accustomed partners, some prepared during the Festival by resident artists who may never have met before, some run up almost impromptu to fill a casual gap or to fling into one of the Saturday night jamborees (the final one last year went on for some 10 hours).

Thus the violinist Gidon Kremer, not only performing *The Seasons* of Vivaldi with the brave young Central Ostrobothnian Chamber Orchestra (a gutty, vivid reading, pictorially explicit) but standing in the wings on a Saturday to accompany a Chaplin film. (The music was Milhaud's *Boeuf sur le toit*, put to its originally intended use—and making much better sense than it did when Kremer played the version with orchestra in London, without the film.) Thus too the Lindsay Quartet, invited at short notice to help celebrate the Bartok centenary: having had a major triumph with their Bartok Nos 1, 3 and 4, they rounded up four more artists next night to rehearse in haste, and capped the jamboree at half-past one in the morning with a sizzling account of the first movement of Mendelssohn's Octet.

The same concert boasted a ripe cabaret turn by Ifor James with his horn—he had really dropped by to play a little Brahms and Mozart (the Horn Quintet with the Lindsay: smooth and secure, if too nearly a duet for James and the Lindsay's leader with accompanying trio). The pianist Krystian Zimerman turned up for fun, but at short notice failed to get permission from his agents to contribute a solo to the proceedings; instead he made a faultless partner in Britten's *Lachrymae* for a magnificent young American violist, Kim Kashkashian. Kimanen himself, as presiding spirit, lent a willing cello to many an ensemble, but there was no shortage of hands. Besides William Pleeth, the Swiss Markus Stocker (whose impassioned delivery of Bartok's First Rhapsody was matched by his pianist Juhani Lagerspetz, a 22-year-old Finn of great promise and terrific rhythmic *élan*), the American Stephen Kates and Kari Lindstedt from Sweden, there were strong representatives of all the string families.

Among the violinists there were Wanda Wilkomirska, and Kimanen's wife Yoshiko Arai (he and she are founder-members of the Sibelius Quartet), and the seasoned Berl Senofsky, who joined gamely with two young American colleagues to have a go at Mozart's great Divertimento K. 563: a classic non-meeting of minds. Such object lessons are an important part of the Festival too! The impressive ex-Soviet pianist Bella Davidovich performed the three Brahms violin sonatas with her son Dmitri Sitkovetsky; where she was severe and objective, he was pure Russian-romantic—Brahms' long lines suffered a little, but it was superb violin-playing. The violists included the fine IRCAM player Gérard Caussé, ex-Parrenin Quartet, who added distinction to many performances.

Other instruments figured in comparable skilled hands. I wanted to hear much more of the pianist Ralf Gothóni—why do we not have more of him in London? — and of Mikael Helasvuo, who led a Mozart flute quartet in gracefully assured style. Karl Leister, the Berlin Philharmonic's principal clarinet, gave a memorably lovely account of Mozart's K. 581 Quintet with the Orlando Quartet in the Kuhmo Church. It took nothing away from the Orlando's classical laurels that their Bartok—Quartets nos. 2, 5 and 6—should have been so shaded by the far more searching Lindsay readings, though the Orlando's very tame 6th was a serious disappointment. I was sorry to have to depart before the Lindsay's second concert (Mozart, Tippett and the Brahms F minor Quintet with Gothóni), which seems to have ended with their leader stepping off the stage and on to his Stradivarius (borrowed, but heavily insured).

Though the Finns are abstemious—except, they explained soberly, when getting drunk is the express point of the exercise— the "Kuhmon Kamarimusiikki" is thoroughly intoxicating. On a Greek island one can sometimes float out of workaday time; something similar happens in Kuhmo, where the disruption of our temperate-zone alternation of day and night lends a heady glamour to the chamber-music bacchanale. Kimanen has created a unique and rewarding annual celebration, full of fraternal high spirits and perfectly serious.

The Finnish government gives generous support, but the practical business of running the Festival—the logistics of arranging practice-rooms are daunting enough for a start—is carried on mostly by volunteers, some local, many up from Helsinki and elsewhere. The artists accept token fees. The town boasts only one hotel and one motel; otherwise accommodation is found in private homes and flats. In one way, one would love to see the Festival draw the thousands of music-lovers its quality invites, but nothing would justify distorting its delicately balanced character: too many passive listeners might shift it into conventional routines. Perhaps I should point out that there are lots of ravenous midges.

Watermill

In the review of *Rosmersholm* at the Watermill Theatre, Newbury, it was erroneously stated that the venue had been recently acquired by Andrew Lloyd Webber. The new purchasers are, in fact, James Sargant and his wife Jill Fraser, who will administrate the theatre from the end of this summer season.

Duke of York's

With a little help from my friends by MICHAEL COVENEY

Since this theatre was lovingly restored, there have been two big successes on its stage, *Rose* and *Duet for One*. It does not say very much for the state of the West End when the third production, "from an idea by Barrie Stacey and Terry Francis," is an absolute disgrace.

Supposedly a tribute to the Beatles, the show comprises about 30 of their songs and a series of sycophantic gobbets of narrative genuflection. Three boys in tight trousers and coloured shirts wiggle their bottoms a lot but do not dispel the impression they have been recruited from the latest provincial Ivor Novello revival. Two girls with more appropriate vocal gifts (Janet Shaw maintains a good top line in the harmonies) contribute to an overall atmosphere of talent contest in a shabby youth club setting of the 1960s.

On a set of chrome scaffolding filled in with Venetian blinds these fey larks do more to trample on your memories of the Beatles than to arouse them. The musical direction is insensitive to say the least. After a promising start to "Something," the number is dropped at the exciting half-way stage; Michael Heath's light operatic tenor is simply inadequate for the heavy blues style of "Let It Be": and the drumming is all to pot on "Lucy in the Sky with Diamonds." More successful is a restrained version of "And I Love Her" (again with Michael Heath) but it rather sounds as if Edmund Hockridge is serenading June Bronhill on Radio 2.

The only possible salvation could have been expert technical presentation of the sort we have come to expect from Tim Rice and Andrew Lloyd Webber. But the lighting and use of microphones is patchy and every ten minutes or so Paul Burton sabotages good songs with an awful display of smiling, finger-clicking jauntiness. Somewhere you feel a theme of loneliness ("Fool on the Hill," "Nowhere Man," "Eleanor Rigby") is trying to assert itself, but mood proves no substitute for lyrical accuracy.

Steve Devereaux smoulders in a passable imitation of Mark Wynter trying to be Elvis, and Jacqueline Reddin, the best of the bunch, sings spiritedly and with feeling. The theatre's best Beatle show remains Willy Russell's *John, George, Paul, Ringo . . . and Bert*. That was eight years ago. This is just amateur night.

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Tuesday August 4 1981

Why air fares are too high

PROGRESS towards greater competition in European civil aviation, with its eventual corollary of cheaper fares, has been extremely slow over the past two years or so. The recent report from the Commons' Industry and Trade Committee, urging all European governments, the airlines and the EEC itself to take more vigorous and positive action, is a timely and welcome contribution to the campaign.

The committee did not mince words in criticising all those involved for tardiness in making it possible for European citizens to travel by air with greater freedom and at prices they can afford. It said bluntly that European fares are too high, the range of fares is too complex, there is not enough competition, and there is too much protectionism by governments. If anyone was left in any doubt as to how to go about changing things, the committee made several positive suggestions. One is for the EEC itself to move more rapidly to bring the recalcitrant airlines of the Ten under the Competition Rules of the Treaty of Rome. This would go a long way towards eliminating the present cosy "pooling" agreements which tend to stifle competition.

This could be followed by a measure of "de-regulation" which, although perhaps not as sweeping as the American pattern, would nevertheless help to boost competition and thus force fares down. "Liberalisation of route entry is the key," said the committee, "and effective competition will provide the stimulus needed to secure lower fares." The committee gave examples of European and U.S. fares which showed that, for broadly comparable journeys, European rates are up to four times higher than those in the U.S.

Innovation

The scheduled "flag" airlines, usually supported or at least encouraged by their governments (which often own them), point out in reply that there are differences in flying in Europe and the U.S.—air traffic control systems in Europe are more complex and expensive, entrenched national sovereignties in many European countries make for greater complexities and expense in setting up routes and in marketing innovative fares policies, while fuel costs, landing fees and other charges are all more expensive on this side of the Atlantic.

None of this can be denied, but it is no answer to the argument for cheaper fares. Any comparative study between airline operations on each side of the Atlantic leads to the conclusion that U.S. airlines in general, because of the stimulus of competition, are more efficient and productive than their European counterparts.

British Airways, for example, with 16.1m passengers in 1980, had just under 52,000 employees at the end of that year, whereas United in the U.S., with 32.8m passengers, had 48,270 employees.

Recession

It is fair to point out that British airlines have generally been more energetic and adventurous than their European counterparts in seeking cheaper fares, within the constraints of a recession that has depressed traffic and revenues. British Airways' "New European Product" has had some success, but is still not accepted by everyone else in Europe, especially the Germans and Swiss. The independents have fared far worse, however, with Laker's plans for "European Skytrain," British Caledonian's "Mini-Prix" and Britannia's scheme for cheap scheduled seats on holiday charter flights all stalled.

The Commons committee *recognised both those factors* as obstacles to be overcome, which is why it urged the UK Government during its current six-months' Presidency of the Council of Ministers, to press the initiative for greater competition in European civil air transport.

As with so many desirable initiatives within the EEC, the real question is whether there is the political will on the part of member governments to do it. Genuine competition would almost certainly bring about changes in the structure of the industry, as it has done in the U.S., and would force some of the large state-owned airlines to make themselves more efficient and reduce their numbers employed. Yet without these changes the European airline industry will fail to realise its full potential and unnecessary burdens will be placed on taxpayers and consumers.

Flaws in the Swedish model

MOST EUROPEANS would be happy to swap their economic troubles for those of the Swedes. An unemployment ratio that has barely crawled above 2 per cent and GNP per head among the highest in the world hardly looks like the stuff of crisis.

Yet a current external balance that last was in credit in 1971-73: a series of budget deficits; and the first all out labour-management clash in the spring of 1980 after more than a generation of labour peace show that all is not well.

Even the unemployment figures have their reverse side. The public sector has soaked up labour no longer needed in industry, adding to tax bills. Government support has kept some industries going which might otherwise have sunk.

Temporary

The forthcoming Development Report of the World Bank contains a fascinating sidelight. Subsidising shipyards has cost each Swedish taxpayer $60,000 a year—three times the average shipyard worker's wage. That is not as idiotic as it sounds, provided one assumes that the aid was intended to bridge a temporary recession. Moreover, the industry has been allowed to shrink quite considerably.

Nevertheless, serious questions have been raised about the policy of subsidising certain Swedish industries which have been in dire straits. The cost during the past decade has been more than SKr 75bn (about £7.6bn). The long-term advantage, according to a study made by the Industrial Economic Research Institute on behalf of a Swedish Government commission, has been less than nil.

The Institute found that, for a time, the money paid to shipbuilding, steel, forestry and textiles did its work. But all the models indicated that at the end of an 18-year period from 1976 industrial output would be higher and unemployment lower without the subsidies.

What that points to is that the subsidies have increased rigidities in the Swedish industrial economy, making it more difficult to adapt to change in the outside world. It is these changes which have put the Swedish welfare state, once held up as a model to the world, under increasing pressure.

All mature economies have built-in rigidities which inhibit the ability to adapt to change. In the case of Sweden it would be quite wrong to see the policy of rescue by subsidy as the sole influence against elasticity. For instance, the insistence of the unions that throughout industry equal pay should be given for equal work militates against the mobility of labour. A particularly grasping taxation system makes it hard to raise private venture capital.

More fundamentally, the tradition of social consensus, though it has begun to show cracks, is to some extent to blame. It still is a source of strength when compared with the situation in many countries chronically torn by industrial strife. But where the interests of labour and management are carefully balanced, change may threaten that balance and hence be resisted. Sweden is not the only instance of that difficulty.

The tradition of consensus is one reason why the end in 1976 of more than a generation of Social Democratic rule has left fewer marks on the economy and on the country at large than one might have expected. The united anti-socialist front even broke up this spring when one of the partners sided with the Social Democrats in a dispute about taxation. Now Mr Thorbjorn Falldin presides over a two-party minority Government.

Profitability

Elections due in 1982 at the latest may well bring back to power Mr Olf Palme and the Social Democrats. That need not mean that the lessons of the 1970s will not be learnt. All parties and the trade unions are agreed that industry must be relieved of some of the burden of taxes and steadily rising wages to increase profitability.

The unions want a share in the profits in the form of equity to be held on behalf of the workers. To them it is a logical extension of social consensus. The present owners think differently, so that consensus could turn into confrontation.

That is the worst case scenario. Established habits of co-operation and the broad agreement that industry needs relief from the burdens now weighing it down may well prevent that worst case from happening. But the key is a recognition by all sides that the Swedish economy must be made more adaptable.

OIL EXPLORATION

The hunt intensifies

By Ray Dafter, Energy Editor

WELL out in the depths of the North Sea, some 100 miles north-east of Aberdeen in Scotland, the Western Pacesetter III drilling rig is nearing the end of a secret and expensive exploration mission.

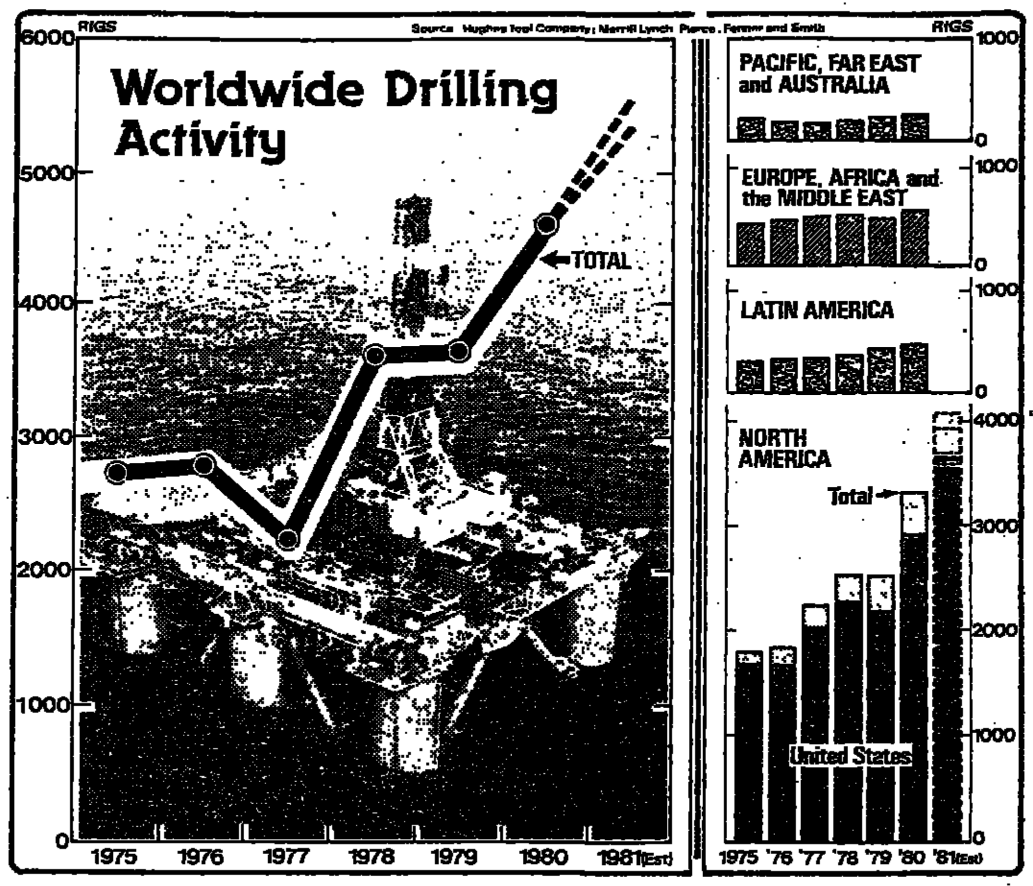
It is a secret because the charterers, Shell and Esso, do not want a whiff of the oil-producing potential of that part of the Continental Shelf reaching the eager nostrils of other explorers. The well is the first to be drilled under the seventh round of licences and there is a good deal of exploration territory close to the drilling location—on block 21/18—still to be allocated.

It is costly because Shell and Esso have been caught up in the frantic race which presently characterises worldwide exploration—on land or at sea. The unprecedented demand for rigs and associated drilling equipment has resulted in a rapid escalation of exploration costs.

Take the case of the semi-submersible vessel, Western Pacesetter III, which is in effect a cramped drilling site on floats. Her charter is costing Shell and Esso an estimated £40,000 to £45,000 each day, some two to three times what it might have cost just two years ago.

As the rig has been on station since March the operating costs for just this one "wild-cat" exploration well are approaching £5m. But that is not all. Operators in the North Sea reckon to spend a further £70 for each foot drilled on such items as well casings, cement drilling, fluids and drill bits. Assuming that Shell/Esso's well on block 21/18 is being sunk to about 12,000 feet—and the total drilling depth is another commercial secret—the total exploration bill could come to around £6m.

At the end of the day the companies may find nothing. That is the gamble of exploration. But, as the latest drilling figures show, there is no shortage of gamblers.



Bob Hutchison

Hughes Tool Company estimates that during the first four months of this year there were an average of 5,259 drilling rigs in operation on land and at sea in non-communist countries. The activity was over 14 per cent higher than last year's record level and 137 per cent above the number of rigs operating in 1977.

The U.S.—the world's most mature oil producing region—continues to dominate the scene. In June there were almost 4,000 drilling rigs operating in the country. And judging by the near-record number of seismic crews making preliminary surveys—696 in June, according to the Society of Exploration Geophysicists — exploration activity will continue at a very high level.

The reasons are plain. American oil companies (and oil consumers) have been frightened into the realisation that they have been too heavily reliant on imports from the Middle Eastern members of the Organisation of Petroleum Exporting Countries.

Home-produced oil and gas is looking so much more attractive, not only because of the security aspect but also because of the rising value of the fuels, helped along by the earlier-than-planned decontrol of prices. Even small and difficult-to-produce oil fields are now looking commercially attractive.

The U.S. oil industry is also rejoicing in an Administration which appears to be on its side. The national energy plan, just unveiled, pledges to release more federally-owned lands for exploration by private energy companies. The publicly-controlled lands hold an estimated 85 per cent of the country's oil and 40 per cent of its natural gas. The licensing of offshore exploration areas is also to be accelerated.

Such a programme is bound to intensify the competition for semi-submersible and jack-up drilling rigs. As it is, there is hardly an idle offshore rig to be found anywhere in the world.

The 500 active offshore drilling rigs are spread throughout the non-Communist world, indicating a universal quest for new oil and gas resources outside of OPEC's aegis. In the past year or so explorers have been encouraged by significant oil or gas discoveries in the Canadian Arctic, off northern Alaska, off south-east Newfoundland, in South America, off central West Africa, in Chinese and Indonesian waters, and offshore of Australia.

The oil industry is trying to halt the decline of the 1970s when—for the first time this century—the rate of consumption exceeded the amount of new reserves discovered.

Increased exploration activity and a sharp decline in oil demand appear to have reversed that ominous position, at least momentarily. According to British Petroleum's new statistical review of the oil industry, worldwide crude oil reserves stood at 654.9bn barrels at the beginning of this year, some 5.7bn barrels more than at the start of 1980. On the other hand, the world used 22.8bn barrels of oil last year—5 per cent less than in 1980.

But the exploration teams know they have an uphill *struggle to maintain this comfortable* reserves-to-production ratio of around 29 to one, particularly as comparatively little exploration is taking place in the oil-rich Middle East. Latest estimates of the International Energy Agency suggest that in the non-communist world, oil-producing countries outside of OPEC's membership will have to increase production (or encourage a drop in consumption) by some 1.5bn barrels annually in 1985 and by 2bn barrels in 1990.

Yet it is the conviction of the oil industry that the most enticing areas of the world have been explored; that the best fields have been found. Thus companies are being forced to venture into more remote areas and into deeper waters. They are having to expend more time, money and energy on seeking smaller, elusive reservoirs in some areas. They are drilling deeper in the hope of finding oil or gas overlooked in the past.

All this, coupled with the record number of drilling rigs in operation, is putting a considerable stress on the suppliers of rigs and other support equipment. In response, builders of rigs and manufacturers of steel pipes and other equipment are in the midst of a major expansion programme.

The supply industry's incentive to invest comes not only from the present lucrative hire rates but also from such forecasts as the one made recently by the Chase Manhattan Bank. It was expected that worldwide investment in oil and gas exploration and production would rise from $66bn in 1980 to $400bn (in current dollars) by 1990.

There can be few other sectors in the international business economy where an annual growth rate of 19.7 per cent is forecast.

Profitable tide of offshore construction

By Andrew Fisher, Shipping Correspondent

THESE ARE heady times in the offshore construction world, though as in most other marine sectors it is the Japanese and South Koreans who are making much of the running.

Even the more cautious observers reckon that offshore building work will stay healthy for another year or so, following the weakening in demand of the mid-1970s.

The large numbers of deep-water semi-submersible rigs and cheaper cantilevered jack-up rigs—much in use off the U.S. coast—are not expected to bring about a surplus which would depress charter rates.

In the North Sea alone, drilling activity is seen likely to double within the next few years. Drilling around the world is also being stepped up sharply, as illustrated by figures from Norwegian shipbrokers P. F. Bassoe.

Last year, some 2,400 wells were drilled offshore, as well as 850 wildcats. For 1980, around 3,500 have been estimated, assuming there are enough rigs, while Bassoe quoted a figure of 4,850 for 1985.

The reasons behind the profitable tide on which offshore construction has been carried into the 1980s are mainly the rapid rise in oil prices—at least before the present glut—and the desire of oil companies to widen their sources of supply.

Thus a fully-equipped semi-submersible rig of the North Sea type now costs about $100m to build against $60m at the start of 1979 and less than $40m during the leaner mid-1970s. Jack-up rigs have also risen sharply in price, now costing $55m for one of 300 ft compared with some $25m in 1976 and 1977.

The surge in demand for rigs has been matched by a sharp rise in charter rates. R. S. Platou, another Oslo broker, noted that the first semi-submersible rig contract of 1980 was set at $48,500 a day and the last at $84,000.

In their eagerness to forge ahead with their worldwide drilling programmes and not be caught out by a shortage of rigs, oil companies have been prepared to pay these escalating prices.

TOTAL RIG FLEET†

	1977	1978	1979	1980	1981*
Semi-submersibles	116	116	111	116	44
Jack-ups	154	168	196	223	163
Drillships/deepwater barges	61	60	56	52	7
Total	331	344	363	391	214

* Under construction at end of June
† Excluding purpose-built rigs for specific local areas.
Source: R. S. Platou

On the jack-up side, all of the rigs due to be delivered by the end of this year had already been committed for future work by the early autumn of 1980. Those running into early 1982 were then quickly snapped up in the last quarter of the year.

Leading the field in the building of semi-submersibles are yards in Japan such as Hitachi and Mitsui, and in Korea, where Daewoo is the main force. There are over 40 being built around the world at present.

Daewoo started taking semi-submersible orders last year and now has seven under way, while Hyundai has two. In Japan, Hitachi and Mitsui have four each in their yards, followed by Mitsubishi with three, Nippon Kokan (NKK) with two, and Kawasaki with one.

European yards come some way behind the Far East, while the U.S. only has two orders—at Avondale in New Orleans and Alabama Drydock. The State-owned British Shipbuilders is trying hard to build up its offshore work, but currently has just two orders, the latest being worth over £61m to build a semi-submersible for Canada's Dome Petroleum.

In the market for jack-up rigs, it is the U.S. which predominates with most of the building carried out in the U.S. Gulf itself. Over 60 such rigs are now being built in this area, with a further eight elsewhere in the U.S.

The Far Eastern yards are by no means out of this market, however, with Japan and South Korea building around 30 jack-ups. Singapore has 29 on its books, South America nine and South Africa six. Europe, with France to the fore, has 17, Canada seven, and the Soviet Union one.

Since the vagaries of politics, fluctuations in the demand for oil, and the competitive economics of new building are all bound up in the rig business, the current boom is not without its risks. But owners, builders and banks have clearly learned from the doldrums of the mid-to-late-1970s and are tending to see that new orders, secure financing, and longer-term charter deals go together to provide protection in case the boom begins to wane.

WHERE THE LARGE RIGS ARE BUILT
Semi-submersibles (end-June)

Japan	14
S. Korea	9
Norway	4
France	3
Finland	3
Sweden	3
Singapore	2
Britain	2
U.S.	2
China	1
Russia	1
Total	44

MEN AND MATTERS

Tips with everything

Like the King Canute of schoolboy myth, I discovered that interviewing U.S. stock market gloom-guru Joseph Granville made demands upon me in excess of my natural powers. For there are no questions with Granville, only answers—and he has got them all.

"I have the best market record in the world," offered Granville for openers. In his Manichaean market there are the winners, who follow the Granville trail, and the "bagholders." The bagholders are the 97 per cent losers who keep the equation standing by taking the losses which yield the profits of the wise. "We love the losers," says Granville, "we tell them how much we need them. Under my breath I'm saying 'Sucker,' but we need them."

Put in his words, the Granville market experience sounds oddly like selected highlights from The Sound of Music. "We climb every mountain, we get out at the peak, in other words we take off our bathing suits and put on a set of shorts, and then we plunge down the cliff all the way down to the valley joyfully, profitably, until we get a busy signal in the depths of somebody else's despair, and then we climb the next mountain."

Granville has no regrets about the "sell-everything" signal which he issued on January 6 this year, and which pulled the Dow Jones index down almost 24 points at close next day. Since then, Wall Street has obstinately refused to crash. "When we get to the buy signal where we're going," says Granville, "and where my language tells me, and I'll bet my life on it, where we're going, *you will wish to heaven that* you could turn the clock back to January 7 and sell everything you owned at 1004.69."

Granville, in London to give the keynote address at a week-long *investment seminar*, has grim news the while. His forecast for the U.S. market "over the next few weeks, that is all, is horrendously straight down, and I mean straight down almost to the point of crash. And I will also say that your London market will follow right behind it."

The market's failure so far to jump off the precipice seven months after Granville clicked his fingers is a dampener on an otherwise winning streak five years long. Less successful have been his sideline experiments in earthquake predictions. Last month he forecast a major tremor in Los Angeles. But, as with the bear market, Old Granville's Almanac says it is only a matter of time.

Granville's gallows-cheer extends to comparing himself with Bernard Baruch, fabled Wall Street operator who sold out before the 1929 crash and went grouse shooting in Scotland while his peers jumped off skyscrapers. One difference, says Granville—Baruch was not quite so accurate.

Joseph Granville: idol of the market place

Day return

Former long-serving director-general of the Institute of Export, Arthur Day, returns to Britain this month after 18 months in Nairobi advising the Kenyan Government on a more professional approach to its trade promotion.

He has found rather more readiness to learn in the African capital than he frequently found here in the 10 years he spent urging industry to shake off its apathy and tend to the needs of overseas customers. One result of his visit has been the introduction of a new course in international trade at Nairobi University.

Day takes a more optimistic view of British export performance now, however, than he did when he left. "Although the British economy is running at its lowest for years," he says, "I have been gratified to see exports have kept up so well. I am sure the trend will continue."

There is always scope for improvement, though. And Day, who left the IOE after differences with the then chairman and later spent an unsatisfying six months as executive director of the World Trade Centre, believes he can find a niche as a consultant to help achieve it.

Close call

Transfixed like a rabbit in the headlights of an oncoming car, I held telephone to ear with trembling hand.

The working week I readily devote to looking down dark holes, turning over stones and receiving whispered confidences in the environs of London EC4. A sunny weekend is a different matter. Yet there I was in the privacy of my own home on a Saturday morning, picking up the phone only to find a crossed *line on which directors of one* of Britain's most controversial companies were chatting away in complex business discussion.

Gradually, the fragments of information assembled themselves in what I laughingly refer to as my mind, and the identities of the speakers swam ineluctably out of the telephonic haze. So soon after that wily takeover bid? And him just only back on the Board after being so unceremoniously shooed away by the City almost five years ago? The shares still suspended? And these legendary buccaneers of the Stock Exchange exchanging pleasantries via the Observer home base?

Needless to say, I shut my ears to the talk immediately—mining . . . Manila . . . come on, gentlemen, off the line, I have a lunch date to confirm. I cannot deny, however, that my ear did prick up at some distinctly Anglo-Saxon sentiments expressed about the future of the Takeover Panel.

You may imagine my relief when this unwanted intrusion into my home territory ceased soon afterwards with a British Telecom-style click and buzz.

Bare facts

Julian Bowes, chief executive of Aqualac (Spring Waters), has a curious explanation of why he left his former job of chartering boats in the Seychelles. Explains Bowes, whose company markets Perrier—not water, but Perrier, you understand—"I think it was the German nudists in stiletto heels that finally got to me."

Down in the mouth

"I hate going to dentists — I *come out utterly demolarised.*"

Observer

هكذا من الاصل

Malaysia's new Prime Minister, Dr Mahathir, has a reputation as a radical. But he could be the leader his country needs.

A pro-Malay gamble with all the aces

THE STOCK markets of Singapore and Malaysia have been unusually volatile in the last few weeks, riding up and down like a nervous rollercoaster. It is easy to see why: Malaysia is in a process of transition, with a new Prime Minister and Deputy Prime Minister taking over the helm. Moreover, these men have reputations as radicals who might undo all the progress that the country has made.

Time is likely to prove the stock markets oversensitive. Indeed, provided that Datuk Seri Dr Mahathir Mohamad, the new Prime Minister, does not throw away all of his fistful of aces, Malaysia may prove the best place in the Asian region to invest.

DR MAHATHIR
"My views are the same"

In climate and resources Malaysia might have grown from seeds in the garden of Eden. Being close to the Equator, it is always hot and humid, with fertile and well-watered soil in which rubber, palm oil, pepper and tropical hardwoods flourish. In all of them and in tin Malaysia is the world's leading producer and exporter, with 42 per cent of natural rubber, 46 per cent of palm oil, 42 per cent of tin, 42 per cent of pepper and 37 per cent of hardwoods.

More important, it is a small but significant net exporter of oil and has some of Asia's largest, and largely untapped, reserves of natural gas. For all this, Malaysia is a country with wide open frontiers, especially in Sarawak and Sabah, its two states on the island of Borneo.

Malaysia's economic growth has been trimmed by world recession and by the oil glut. A current account deficit has developed. This year it will probably be just above 7 per cent compared with more than 8 per cent in the 1970s.

Its economic and political stability are impressive, compared with almost all of its neighbours. Malaysia is not densely populated as are India, Pakistan, Bangladesh, Indonesia and even China. The 14m Malaysians fit comfortably into an area twice the size of the UK. The country does not have an uneasy military or autocratic government; instead elections at least once every five years have returned a stable multi-party coalition under the leadership of the United Malays National Organisation (UMNO) and a highly vocal opposition.

All this may seem too good to be true. But Malaysia has one large problem and Dr Mahathir is associated controversially with its articulation. The population is racially split. About 49 per cent are Malays, 36 per cent Chinese and about 11 per cent Indians, with the Ibans, Kadazans and other indigenous groups together comprising 3 per cent of the inhabitants (there is also a sprinkling of Europeans). Racial differences alone could upset the harmony of even a well-run state, but in Malaysia the races have traditionally kept to themselves.

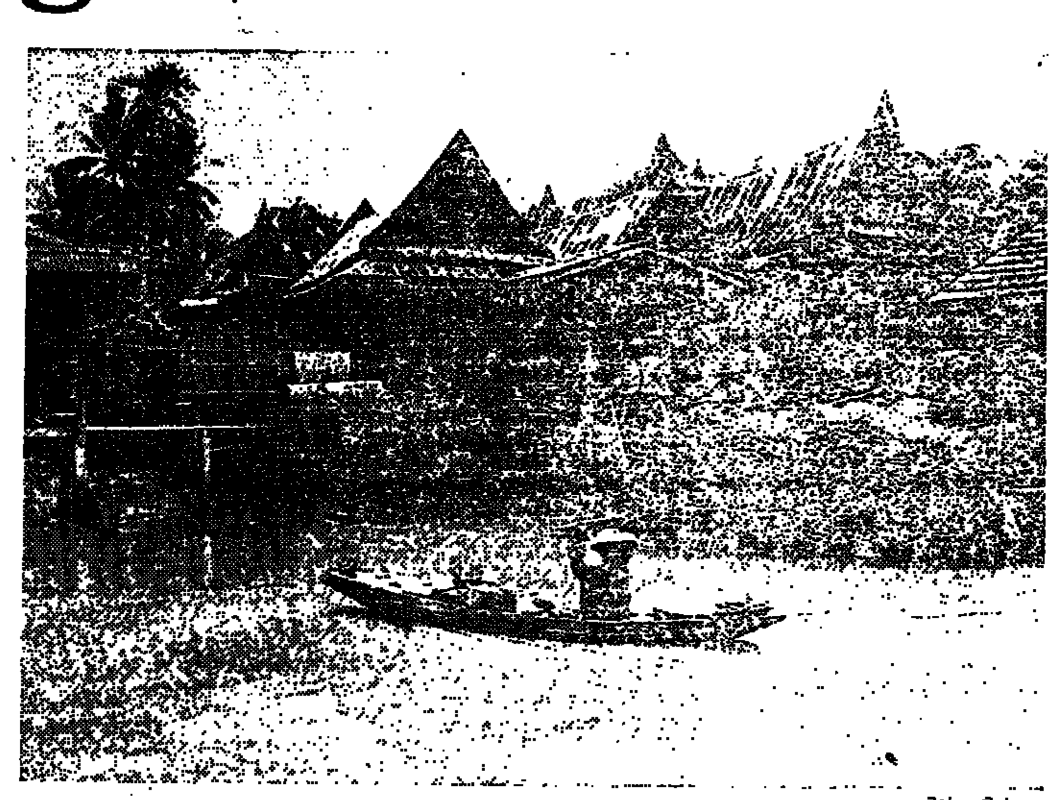
In his book, the Malay Dilemma, Dr Mahathir sets down his own highly charged account of Malaysia's racial divide. He has sharp words for practically everyone. The colonial Europeans, he said "came out east not to conquer, but to trade. In the quest of trade, however, they were prepared to do anything. They made treaties and they broke them. They were in fact completely unscrupulous."

The British encouraged the Chinese to migrate to Malaya to do business and the Indians to come over to work in the newly-opened rubber plantations. The Malays, inbred, weakened by disease and badly educated, were no match for the hardy Chinese. Except for those involved in administration, they retreated to the traditional kampongs (villages), cut off from modern life of business, trade and banking.

Merdeka (independence) in 1957 brought power and wealth to the new Malay elite but, according to Dr Mahathir, the Chinese continued to grow richer while the Malays were left out of the modern economy in their own land.

Tight Chinese family links discouraged intruders: "Chinese business relies heavily on secret deals and private arrangements . . . family loyalty ensures that the deals, however unethical, are not divulged to others to the detriment of the business."

For this analysis in "The Malay Dilemma," written after the 1969 race riots which led him to advocate positive discrimination in favour of the Malays, Dr Mahathir was kicked out of the party by Tunku Abdul Rahman, Malaysia's first Prime Minister, and his book was banned. It still is. Comments about Dr Mahathir are still tinged with fears that he is violently pro-Malay. The new Prime Minister says with some pride that "my views have remained the same. They have been adopted by the Government. I believe in calling a spade a spade," he said in an interview just after announcing his new Cabinet. "Unless you do that, people will not be shocked into facing reality."



'A place in the sun for the Malays—or a retreat to the kampongs? Robin Coles

Although banned, copies of "The Malay Dilemma" were flown in by Tun Abdul Razak's government to form the basis of the so-called New Economic Policy (NEP). This policy seeks to give the Malays a greater place *while not taking anything away from the other racial groups.*

Although Prime Minister Mahathir has been painted as a radical and a Malay extremist, he has the satisfaction of knowing that his plans for boosting the Malays have been adopted as official policy. By giving the Malays their opportunity now Malaysia may avert the danger of catastrophe later as Malays discover they have political power but no place in the sun in their own country.

The Malays have seized their opportunities but their place in the economy does not match their share of the population: they are half of the country's population, but still have only 32 per cent of the administrative and managerial jobs, compared to 24 per cent 10 years ago, only 12.4 per cent of the corporate capital, against 4 per cent in 1971, and 20 per cent of the bank advances, compared to 5 per cent a decade ago.

Great strides have been made both in bringing the Malays into the economy and in developing a national identity as opposed to separate racial ones. The aim is to get a 30 per cent bumiputra (literally son of the soil, therefore Malay and other indigenous) share of the corporate sector by 1990 with the non-bumiputras 40 per cent and foreigners 30 per cent. In 1970 when the NEP began, the Malays had 2.4 per cent, foreigners 63.3 per cent. By 1980 progress had been slow but sure: the bumiputra share of the corporate sector was 12.4 per cent and that of other Malaysians 40.1 per cent, while the foreigners' share had come down to 47.5 per cent. But foreign assets had increased by three times in ringgit terms. The problem still is that most bumiputra shares are held by big public corporations rather than by individuals — but a novel unit trust scheme is proving one answer to encourage ordinary bumiputras.

Bumiputra progress is wider than share ownership. Education and the deliberate switch to Bahasa Malaysia as the medium in schools rather than English or Chinese has helped to encourage the Malays and wake up the kampongs.

Economic growth has not suffered. An American economist, Mr Donald R. Snodgrass, who recently finished a study of post-1970 growth comments: "While areas of uncertainty exist, development under the NEP compared favourably to development before the NEP by virtually any criteria."

It is easy to point to blemishes both in Malaysia's record and in the prospects. Mr Snodgrass puts forward a "nightmare scenario" in which the Malay elite grabs wealth and power from non-bumiputras and foreigners equally. He does not think it will happen.

Some powerful Malays are already pressing that non-bumiputras be deliberately held back to allow the bumiputras to advance. Dr Mahathir said recently that non-bumiputras would not be held back.

The power of Islam, the religion of the Malays (under the constitution a Malay loses his Malay privileges if he ceases to profess Islam) is growing. More Malay women have taken to wearing head veils and long skirts. Dr Mahathir and other Malay Ministers are careful in their public profession of the religion and encourage Koran reading contests.

Corruption is also said to be on the increase. The greediness of some of the bumiputra elite and the key roles of bodies like the Capital Issues Committee and the Foreign Investment Committee, watchdogs to see that corporate issues conform to the rules, have also been criticised. Some foreign and local companies complain of the way in which young Malay officials with little experience of business try to browbeat companies into making big concessions and increasing bumiputra management and ownership.

An associated worry is that big business and big money can talk. There were rumours during the recent UMNO assembly of trading for votes. Certain Chinese companies have won a reputation for being prepared to pay to win friends and influence people. But Malays have democratic traditions which have their own safeguards.

In sum, there is an optimistic view of Malaysia under Dr Mahathir to match the pessimistic one. For the past months, Malaysia has been ruled by a sick Prime Minister. When Dr Mahathir, though Deputy Prime Minister, wanted to see Tun Hussein Onn he made an appointment. Now the new leader and deputy leader work more closely, even to arguing out a problem. Friends say that though he is regarded as pro-Malay, Prime Minister Mahathir will be a hard driver of the Malays and that the Chinese have nothing to fear, provided they show themselves to be good Malaysians. In short, Malaysia may have got the dynamic leader to match its dynamic potential.

The Malay Dilemma by Mahathir Bin Mohammad. Times Books International, Singapore. Singapore $15.40. Inequality and Economic Development in Malaysia by Donald R. Snodgrass Oxford University Press, Kuala Lumpur, Ringgit 41.

Letters to the Editor

The £ and the 'basket'

From the Director-General, Confederation of British Industry

Sir,—Like many other people, unhappily, your correspondent (Mr F. Starke, July 29) misses the main point when he writes about a "target for sterling" and then goes on to quote only a dollar rate: what they are failing to recognise is the importance to British trade and industry of the level of the £ against European currencies. Nearly half our exports go to the EEC and 59 per cent to Europe as a whole. It is the value of the £ against the "basket" which really matters. Here British industry and commerce would best be served by a lowering of the current rate and then, stability.

(Sir) Terence Beckett.
Centre Point, WC1.

Employee participation

From the Director General, British Institute of Management

Sir,—Evidence of a recent study, "Employee Participation," conducted by BIM confutes John Elliott's assertion (Lombard July 30) that too few companies are making any real efforts to improve their relationship with employees.

A study of more than 150 BIM member companies with more than 1,000 employees each shows that nine out of 10 of those are actively involved in developing employee participation, including forms of consultation which influence decision making.

Of those, nearly half consult their employees on one or more company-wide topics such as investment plans, profits, productivity and corporate objectives.

Rather than "sowing the seed for future trouble" our investigations demonstrate a clear management understanding of the importance of workforce involvement and improved communications: well over a quarter of our respondents are currently engaged in developing, on a voluntary basis, new or additional forms of participation.

Mr Elliott also points to the need for companies to improve consultation with their middle managers. We agree the importance of this, but our study reveals that more than half the companies questioned make special arrangements for managers as employees in participative procedures.

The scene depicted by Mr Elliott would, therefore, seem to conflict with the facts.

Roy Close.
Management House,
Parker Street, WC2.

Expensive Britain

From Mr M. S. Camm

Sir,—The Director General of the British Tourist Authority deludes himself in saying that London is cheaper than New York.

Having visited New York recently, I know that first class hotel rooms and meals are all cheaper than they are in London, and more important still, there is greater value for money. (Visiting Americans will soon discover they cannot get two or even more cups of coffee for 25p like they can at home for example.)

The facts are as your correspondent said last Friday in his report on British resorts, Britain is expensive and value for money is not good.

M. S. Camm.
49 Highfield Avenue,
Waterlooville, Portsmouth.

Alternative riots

From Mr J. K. Swales.

Sir,—In your editorial on July 29 you stated that Glasgow is too depressed even to riot. This is incorrect. We are just waiting for the start of the football season.

J. K. Swales.
Department of Economics,
Stenhouse Building,
173 Cathedral Street, Glasgow.

Unesco and the Press

From the Deputy Director, Office of Public Information, Unesco

Sir,—I am afraid your editorial "Unesco and the Press" (July 22) is not based on hard fact. You seem to be consistently crediting to Unesco views that are put forward at various meetings convened by the organisation to promote dialogue on issues of vital interest to the international community. These views represent all shades of political and ideological opinion. But they do not constitute Unesco's official policy. That policy is governed by the decisions of the general conference—the supreme body of the organisation which comprises 155 member states.

Contrary to what you write, not a single resolution or programme voted by the general conference and not a single statement made by Unesco's Director-General, Mr Amadou Mahtar M'Bow, or by any of its officials, suggests, let alone states, that the organisation has backed proposals for an international licensing system for journalists and an international code of ethics of journalists. Nor is there any evidence to substantiate your charge that it attempts to "progress the issue of identity cards for journalists." In the light of this, your insinuation that Unesco "seeks to control what newspapers write and who should write for them" gives the unsuspecting reader a misleading interpretation of what the organisation does or tries to do.

Dileep Padgaonkar.
7, Place de Fontenoy,
75700 Paris.

The takeover syndrome

From Mr A Gower

Sir,—In all the recent discussions on occupational pensions, I have seen no mention of the position of long serving employees who have suffered from takeovers and who, despite working for the same company or group for their entire careers, suffer from the disadvantage of two pension schemes involvement, one from pre-takeover and pre-high-inflation days and one subsequent to takeover.

People who move from job to job risk their pensions in the expectation of better salaries. Those who stay loyal to a company expect that loyalty to be reflected in their pension. In a takeover situation they still expect that loyalty to be reflected at retirement.

It is not their fault that they find themselves working in a new group after a takeover, and it is inconceivable that pension entitlement would remain in the high inflation years at the levels previously propounded.

I qualified for 15 years' pension under my old company's scheme and at 65 will qualify for 19 years under the present scheme, yet the 19 years will bring a pension of almost four times the 15 years' service.

Within the group my job has changed seven times so I have not been lacking in drive but my pension will not reflect the usual 34/60ths of final salary, nor will it be inflation-proofed, though the scheme does its best to assist in this area.

While I obviously have a personal interest in this situation, there are many other people in this position and I trust that in future discussions their views will be heard.

I also suggest that companies entering into takeovers should count the costs of taking over the real assets of any company, i.e. its employees, and take a good look at the costs of possible funding out of date pensions.

A. H. Gower,
50, West Farm Close,
Ashtead, Surrey.

Economic forecasting

From Professor Wynne Godley

Sir,—According to Sam Brittan (July 7) "Few could have anticipated that at the half-way stage (of the present Government) unemployment would be 2½m to 3m, inflation stuck at 11 per cent . . . and both Government spending and the tax burden higher as a proportion of the national income than on election day in May, 1979. Indeed even the Government's opponents hardly expected that reality would exceed the most flesh-creeping warnings."

This is not correct.

The broad picture was foreseen by the Cambridge Economic Policy Group in the summer of 1979, and every item mentioned by Sam Brittan was correctly forecast in March and April 1980. I think he should now gracefully acknowledge this, most particularly because in two articles published in the FT on April 3, 1980 and April 17, 1980 he attacked all our work in extraordinarily scathing terms deliberately designed to discredit the reputation we had acquired for reliable forecasting.

Wynne Godley.
Department of Applied Economics,
University of Cambridge.

Tongue so varied in discourse

From Mr P. D. V. Crockford

Sir,—Mr Acker's letter deploring and effectively ridiculing British Airways' misuse of the English language is too ready in its forgiveness to various American airlines.

A particular horror phrase is the overworked and turgid "at this time." My theory is that simple, monosyllabic words are not sufficiently emollient (sic) for these days and that the use of the word "now" would cause passengers to leap out of their seats and thus disrupt the pace at which airlines wish to control them.

P. D. V. Crockford.
99, Ebury Street, SW1.

From Mr Michael Brown

Sir,—I sympathise with Mr Acker's exasperation (July 31) but British Airways is not the only one to put in the pillory. Some of the most odious expressions which Sir Ernest Gowers stigmatised as "Commercialese", are indulged in with high disregard for vigorous English by the banks. I am sure that I shall spend several million years less in purgatory as recompense for having to swallow daily a diet including such delicacies as "the same" (it), "we shall be obliged if you will kindly" (please), "in connection with" and "in this connection" (which can always be done away with by a slight recasting of the sentence), "please be advised that" (the latest sprightly immigrant from America, prefixing any statement you like) "your goodselves" (a cringingly obsequious monstrosity meaning "you"), and "in the event that"; purveyors of this last legal sweetmeat can be persuaded to stop by telling them to recite Kipling's "If" using their debased form. There are many more, but I have no wish to nauseate.

I can anticipate protests: "We are busy men; we are not stylists and do not have time to polish our rough diamonds into gems of English purity; besides, people know what we mean." None of these protests is valid: if you order your thoughts logically and express them simply you will *save* time; no one is expecting you to produce artistry, just a workmanlike job; people only understand through a glass darkly, and anyway to have to rely on your reader's willingness to accept your will for your deed is plain rude.

There are just occasionally rays of light in the gloom; I once had a letter from the staff department of a high street bank telling me why they had to refuse my application for a job with them; it was polite, informative and sympathetic; credit where credit is due—it came from Lloyds Bank.

Michael Brown,
Inglewood,
Salway Ash,
Nr. Bridport, Dorset.

From Miss Rachel Wood

Sir,—With reference to Mr F. Acker's letter (July 31) may I point out that there are, in fact, 16 forms of the German definite article, not 12 as were struggled with by him.

They are in full as below:

Rachel Wood
(aged 14, second year German student).

1, Bartlemy Road,
Newbury, Berkshire.

	singular			plural
	masculine	feminine	neuter	all genders
nominative	der	die	das	die
accusative	den	die	das	die
genetive	des	der	des	der
dative	dem	der	dem	den

Today's Events

GENERAL

UK: Mr Michael Heseltine, Environment Secretary, leads mission of 28 heads of British investment institutions on tour of Merseyside.

Mr T. Adams, Prime Minister of Barbados, opens exhibition of Barbados stamps at Stanley Gibbons gallery, Strand, WC2 (until August 28).

Women's World exhibition opens, Bristol (until August 9).

Overseas: President Anwar Sadat of Egypt leaves Britain for U.S. to start three days of meetings with President Ronald Reagan and other U.S. leaders.

Congress votes on tax Bill, Washington.

Mr Menahem Begin expects to present new coalition Government to Parliament, Tel Aviv.

OFFICIAL STATISTICS

Housing starts and completions for June. UK official reserves for July. UK banks' eligible liabilities, reserve assets, reserve ratios and special deposits for mid-July. Capital issues and redemptions (during the month of July). London clearing banks' monthly statement for mid-July.

COMPANY MEETINGS

Comfort Hotels International, 99, Kensington High Street, W, 10.30. New Throgmorton Trust, Winchester House, 100, Old Broad Street, EC, 12.30. Rolfe and Nolan Computer Services, Great Eastern Hotel, Liverpool Street, EC, 12. Stead and Simpson, Fosse Way, Syston, Leicester, 12. Sutcliffe Speakman, Midland Hotel, Peter Street, Manchester, 12.30. Walker and Staff, Walker House, Boundary Street, E, 12.30. Warnford Investments, Chartered Insurance Institute, 20, Aldermanbury, EC, 3.

COMPANY RESULTS

Final dividends: Ailsa Investment Trust. Centreway Trust. Gowan de Groot. Fobel International. Sterling Credit Group. Unitech. **Interim dividend:** International Investment Trust. **Interim figure:** Updown Investment Trust.

CITY OF LONDON LUNCHTIME MUSIC

United States Collegiate Wind Band, Paternoster Square, EC4, 12.30 pm.

American Musical Ambassadors, Tower Place, EC3, 12.30 pm.

Organ recital by Monika Henking, St Lawrence Jewry, Gresham Street, 1 pm.

Regional Properties finishes higher and pays bigger total

AS INDICATED at mid-year earnings of Regional Properties, the London-based property investment and development group, declined in the second six months, the pre-tax figure for the period emerging at £745,466, compared with £933,838.

However, for the year as a whole to March 31, 1981 taxable profits improved from £1.63m to £1.67m, after interest charges of £655,832 (£732,480), and the total dividend is being lifted by 0.3p to 2.2p net with an increased final of 1.45p.

In their interim report the directors said that expenditure on existing developments and on the purchase of new properties since September 30, 1980 had amounted to £9m. As this had been financed largely out of the company's holdings of Government stocks and cash deposits they warned that there would be a substantial drop in investment income which would be reflected in lower earnings in the second half of the year.

Rent and other income less expenses for the year under review totalled £2.33m (£2.36m).

Tax was down at £679,490 (£804,855) and tax overprovided in the previous year amounted to £699,201 (£55,102).

Net interest and outgoings on development properties rose from £579,907 to £819,976 and after an extraordinary credit of £453,426 (£719,386) and a tax credit of £415,187 (£274,608) the attributable balance emerged at £1.74m, against £1.29m.

Stated earnings per 25p share came through higher at 5.29p (4.41p).

The directors point out that construction on the Vauxhall Cross development is on time and budget and will be available for occupation next October and that finance has been arranged for the development of the 165,000 sq ft Great Western Centre, Ealing.

Development expenditure during the year amounted to £5.1m, financed by bank borrowings. A new 10-year fixed-term loan of £17.5m has been arranged with the Bank of Scotland at 1 per cent over inter bank. Earliest loan repayment date is 1990.

Redundancies take toll on STC

TRADING INCOME of Standard Telephones and Cables rose from £28.4m to £29.9m for the 25 weeks to June 21 1981, but after taking into account redundancy costs of £8.8m, the pre-tax surplus emerged down from £22.8m to £19.1m.

Although no trading improvement is expected in the remainder of this year, the interim dividend is being raised from 4p to 4.5p net as an indication of the board's confidence in the long term outlook.

Last year, dividends totalling 10p per share were paid from taxable profits of £44.1m. The company is 85 per cent owned by ITT (UK) which in turn is a wholly-owned subsidiary of *International Telephone and* Telegraph Corporation of the U.S.

Sir Kenneth Corfield, the STC chairman, says the company's performance in a time of economic recession has been satisfactory, reflecting the board's commitment to high-technology products and markets and the group's strong financial position.

However, he does not expect a resumption of significant growth in turnover or earnings until the general level of economic activity recovers from its present depressed level.

That recovery is dependent not only on world trade, but also on the extent to which UK industry *remains competitive through a* rate of domestic inflation no higher than that of competing nations, Sir Kenneth adds.

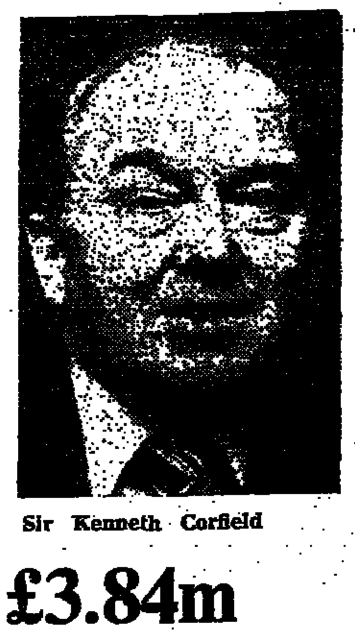
Turnover for the first 25 weeks improved slightly from £256.4m to £260.3m. This comprised a higher contribution of £176.6m (£159.4m) from telecommunications and electronics, but a lower figure of £83.7m (£97m) from components and distributors. Export sales rose 21 per cent to £54m.

The effect of advancing technology on many manufacturing processes and the deferred upturn in activity has caused the group to take selective measures to reduce its workforce.

Exceptional charges of £6.5m (£0.5m credits) included the redundancy costs offset partly by favourable out-of-period pricing adjustments of £2.3m. At the end of June, STC announced further redundancies would take place in the latter half of this year and their anticipated costs have been borne in the half-year accounts.

Finance charges fell from £6.4m to £5.1m in the period, while the share of associates profits increased from £0.3m to £0.8m. Tax took £5.4m (£9.1m) and attributable income came *through unchanged at £13.7m.* Stated earnings per 25p share were 13.7p (same).

See Lex Back Page



Sir Kenneth Corfield

A. Preedy ahead and lifts payout

TAXABLE PROFITS of Alfred Preedy and Sons, wholesale and retail tobacconist, edged higher from £843,000 to £974,000 in the year to March 28 1981. The directors are lifting the dividend from 3.35p to 3.5p net with a final of 2.75p.

The profit included a surplus on property sales of £345,000, against £145,000 last time, and was struck after charges including interest of £720,000 (£642,000).

Tax took £65,000 (£75,000) to leave the attributable surplus at £909,000 (£767,000) and stated earnings per 25p share up from 8.77p to 10.44p.

On a current cost basis, the pre-tax profit is reduced to £167,000.

Horne Bros. in the red at midterm

On lower turnover of £7.26m, *against £8.01m. Horne Brothers* fell into the red in the 28 weeks to March 21 1981 incurring a pre-tax loss of £350,000, compared with a profit of £240,000. There was again no tax charge for the period.

Mr R. J. Horne, the chairman of this general outfitter, says the retail division performed disappointingly because of reduced sales and margins.

He warns that consumer confidence remains low and the present economic environment remains depressed in the menswear sector of the retail trade in the High Street.

The chairman points out that improved efficiency in the company's manufacturing with growth in its contracts division, together with overhead and cost reductions, including redundancies, were insufficient to counter the loss of retail sales and margins.

The company has close status.

Hillards profits advance 72% to £3.84m

TWO NEW stores helped push pre-tax profits of supermarket operator Hillards up 72 per cent from £2.23m to £3.84m in the 53 weeks ended May 2 1981 (last year 52 weeks). Existing stores *maintained their volume increase* in sales, with total group turnover rising 36 per cent from £119.43m to £162.82m.

By the half year stage taxable profits and turnover had already risen to £1.73m (£1.34m) and £80.76m (£56.53m) respectively.

The dividend for the year is being increased to 5.25p net (4.25p) per 10p share with a final of 1.5p (1.25p), and a one-for-one scrip issue is proposed. Earnings per share are stated at 24.11p (22.93p).

Mr Gordon Hunter, chairman, says in addition to the two new large stores opened in 1979 and 1980, one was opened in the last week of the financial year at *Idle, Bradford, with a sales area* of 26,400 sq ft.

At the year-end the total group sales area was 511,000 sq ft, after two small closures during the year. A 22,500 sq ft store will open at Worksop in early October and sites have been acquired for new large stores at Skipton and Buttershaw, Bradford—both are planned to open in 1982-83.

Mr Hunter says the current year has started satisfactorily.

Pre-tax profits were struck after net interest charges of £314,000 (£213,000). Tax took £936,000 (£495,000 credit) and dividends absorbed £693,000 (£509,000) leaving retained *profits of £2.26m (£2.22m).*

Current cost adjustments reduced taxable profits to £3.55m

● comment

On second glance, Hillards' performance pales slightly as the 72 per cent advance compares with profits which were held back in the previous year by new store openings and dismal results in the non-food sector. With non-food now pared back and profits of the new stores coming through, the provincial supermarket group has returned to its former pattern of steady growth. Its formula of large stores and wide produce selection has translated into improved trading margins, *up from 2 per cent to* 2.7 per cent. This year's trading has started well and with only one new store planned, pre-tax profits of 5m should be in sight. The shares jumped from 299p to 320p yesterday and settled at 313p where the historic yield is 2.4 per cent, covered four times on a current cost basis. An historic fully-taxed earnings ratio of more than 20 has the full measure of the buoyant medium- to long-term prospects.

Sharp fall in July issue of securities

The amount of new money raised in the UK by the issue of marketable securities in July was £89.3m, the lowest monthly total since the £32.8m raised in May 1980, and less than a tenth of the record £990m raised last month.

Sixteen company issues accounted for 83 per cent of the total, the largest being a £24.6m placing of unsecured loan stock by Inco, the Canadian nickel group. Other significant issues included £18.1m in convertible preference shares from Chloride, £10.2m in ordinary shares of Property Holding and Investment Trust and £10m from F and C Enterprise Trust. Nine local authorities raised £5.6m in yearling bonds.

Total funds raised to date this year are £2,266.8m compared with £1,354.7m for the whole of last year.

Cadbury Schweppes grows in Australia and S. Africa

TWO OVERSEAS subsidiaries of Cadbury Schweppes have reported increased sales and profits for the 24 weeks to June 20, 1981.

Sales of Cadbury Schweppes Australia rose 18.1 per cent from A$99.94m to A$118.08m and net profits before extraordinary items were up from $A4m to A$5.09m, a rise of 27.1 per cent. There was also an extraordinary profit from rationalisation and *asset disposal of A$850,000.*

Sir Rupert Clarke, chairman, anticipates that subject to unforeseen circumstances the improvement in half year profits will be maintained for the full year.

An interim dividend of 4 cents per share has been declared—an increase of 0.5 cents.

Meanwhile Cadbury Schweppes (South Africa) pushed sales R5.82m ahead to R24.06m. Taxable profits rose from R2.3m to R3.11m and earnings per share are reported up at 40.2 cents compared with 29.2 cents.

Mr C. Cilliers, chairman, says further growth is expected in the second half, but because of a slow down in the rate of growth of consumer expenditure, the percentage increase in turnover and profits for the year as a whole will be less than achieved in the first half.

The interim dividend has been increased from 10 cents to 12.5 cents per share which absorbs R633,000 (R506,000) leaving a retained profit of R1.4m (R974,000).

Fall likely at Davenport Knitwear

Since none of the special circumstances that acted in 1980 will continue in the current year, it is felt improbable that profits of Davenport Knitwear can be maintained at last year's level, says Mr R. A. Davenport, the chairman, in his annual statement.

Pre-tax profits for 1980 increased from £807,371 to £1.12m—as reported June 24. However, the company which makes knitted fabrics and garments, was assisted by three special circumstances.

First, it was able to reduce its stock levels by 45 per cent, which translated its stock valuation into profit. Second, increased cash balances earned substantially more because of high interest rates and third, surplus *plant was disposed of at a price* in excess of book value.

At the year-end, shareholders' funds had risen from £2.91m to £3.47m. Fixed assets totalled £769,259 (£556,407) while investments at cost more than doubled from £1.1m to £2.52m. Net current assets dropped from £1.47m to £414,221.

Meeting, Leicester, August 26, 11.30 am.

Aquis up sharply to £225,722 midway but hotel losses rise

WITH INTEREST receivable surging from £5,224 to £346,433, pre-tax profits of Aquis Securities, the property investment, development and hotels group, rose sharply from £91,595 to £225,722 for the first half of 1981. Income improved from £856,410 to £939,322.

After tax of £112,935 (£47,137), minorities and extraordinary items, profits for the period were ahead from £41,532 to £104,704. Earnings per 5p share are shown as 0.42p (0.17p) basic and as 0.4p (0.23p) fully diluted.

The net interim dividend is unchanged at 0.3p per share costing £75,375 (same)—last year's total payment was 0.9p on taxable profits of £570,679.

First-half losses from hotel trading increased from £88,324 to £119,780. With hotel trading in London continuing to be depressed, the higher loss from the Clarendon Court Hotel had a significant affect on the results. Trading conditions for the hotel will remain difficult for the rest of the year, although the second six months is seasonally more favourable.

Rents, less expenses, from UK properties fell from £361,845 to £180,620, while the deficit in Belgium rose to £21,843 (£17,520), and losses from property development increased to £9,653 (£7,541). Interest payable was £12,034 lower at £150,055.

Commercial properties for investment have been purchased in Central London, Windsor, Bracknell and St Helier. All are reversionary and will contribute to the continuing growth of rental income and have absorbed £3.3m.

Sites for development and properties for refurbishment have been purchased in Central London, Beaconsfield and Aberdeen and others are under consideration.

Income from the remainder of the group's investment portfolio continues to grow as a result of rent reviews, the full effect of which will not be reflected until the end of the current year. Market conditions in Brussels, although marginally improved, are still far from buoyant.

Ariel Inds. aims to go for diversification

Mr Kenneth Edwards, chairman of Ariel Industries says in his annual statement that this industrial fasteners and light engineering products group must develop substantial interests outside the manufacturing sector because of the long-term decline of manufacturing in Britain.

He says the company has the resources to do this and he aims to have half of its total investment outside manufacturing in the next five years or so. He hopes to finance this out of borrowings and current earnings without having to look to shareholders for more capital. However this will lead to a conservative dividend policy while the transition is being carried out he says.

Despite all the problems he feels the long-term future of the company is bright.

As reported on June 12 taxable profits fell from £1.03m to £137,340 in the year to March 31 1981. Current cost adjustments reduced this figure to £95,895.

At the year end shareholders funds stood at £7.95m (£6.29m) and there was £6.15m (£4.12m) in fixed assets. Net current assets were £1.6m (£2.02m) including bank and cash balances of £87,642 (£12,073) and bank loans of £177,032 (nil).

During the year there was a net decrease in bank and cash balances of £101,463 (£41,701).

Meeting: Rugby, August 21, noon.

NMC falls into deficit

After a downturn of more than £100,000 to £22,000 at midway, NMC Investments has slipped into the red for the year to March 31 1981 with a pre-tax loss of £10,020 against a profit of £253,051.

The directors of the group, a finance company with subsidiaries in the packaging industry, are cutting the single dividend from 1.57p to 0.75p. They say the packaging companies have been severely affected by the recession but there are some signs of recovery.

After a tax credit of £64,767 (£111,727 charge), minorities of £626 (£23,544) and adjusted pre-acquisition profits of £478 (nil), there was an attributable surplus of £53,643 (£117,780). Earnings per 12½p share are shown as 1.24p (2.74p).

Group turnover fell from £2.18m to £2.07m.

LOOMSENSE

Loomsense has been compulsorily wound up by Mr Justice Vinelott in the High Court.

Electronic Rentals on target in first quarter

FIRST QUARTER results of Electronic Rentals Group were satisfactory and in line with expectations, Mr Maurice Fry, chairman, told shareholders at the annual meeting.

The group had completed its planned acquisition of a holding in New Zealand's second largest television rental company—though it had taken a 49.9 per cent stake, and not the 40 per cent mentioned *in the annual* report—and had taken a first step into the video rental market by buying Rentacolor of California.

The disposal of the Brazilian television rental subsidiary had been completed and those of the Europleasure and Dudes operations were going to plan.

The Swaziland Government had agreed to underwrite the losses of the broadcasting company there for last year and for the first six months of this year, said Mr Fry, and negotiations for a long-term settlement were continuing.

The group lifted its pre-tax profits from £12.22m to £14.74m last year.

INDUSTRIAL PRECISION

The placing of 2.4m shares of Industrial Precision Castings at 93p per share by M. J. H. Nightingale has been comfortably over-subscribed. Trading in the shares will begin in the over the counter market operated by Nightingale on August 5.

ROYAL WORCESTER ACQUISITION

Welwyn Electronics, a subsidiary of Royal Worcester, has acquired Pelco (Electronics) from the Receivers of the Brocks Group of Companies.

Pelco is a specialist micro-processor *distributor holding* franchises from Rockwell International and Hughes Aircraft.

Wiggins Construct optimistic

THE COMPLETE reorganisation of Wiggins Construct—the Essex based group engaged in commercial and industrial development, house building, contracting and motor sales—will place it in a good position in the future, says Mr S. P. Hayklan, chairman, in this annual statement.

As *reported on July 15* this reorganisation has already pulled the company back into the black in the year to March 31 1981, when taxable profits came out at £1.33m (£519,000 loss).

Since the year end Wiggins has entered into contracts to develop a 50 acre complex near Reading—to be called the Royal Berkshire Centre—which will be phased over several years. It has also started work on a freehold industrial estate in Battersea, London, comprising 26,000 sq ft.

Negotiations are at an advanced stage for the acquisition of commercial properties to improve the group's rental income, the chairman says.

In the housebuilding field Wiggins has added to its operations in the West Country since the year end with the acquisition of Jumpshaw of St Austell, Cornwall. Also the first units in the conversion of Sion Convent in North Kensington into 50 flats and 21 town houses will be ready for sale in the Autumn.

At the year end shareholders' funds had increased to £5.56m (£3.94m). Net current assets were £5.21m (£6.51m) which included properties held for re-sale of £2.8m (£3.51m), work in progress of £1.92m (£6.28m), bank overdrafts of £2,000 (£3.26m) and short term loans of £222,000 (£1.04m). Liquid funds had increased by £3.79m (£932,000 decrease).

In view of the reorganisation of the group the directors have proposed that the name should be changed to Wiggins Group. Meeting: Royal Automobile Club, SW, August 26, noon.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre- sponding div.	Total for year	Total last year
Alfred Preedy	2.75	Oct 1	2.6	3.5	3.35
Aquis Securities ...int.	0.3	Oct 5	0.3	—	0.9
Hillards	3.75	Oct 9	3	5.25	4.25
NMC Investments	0.75	Oct 1	1.57	0.75	1.57
Owen and Robinson	10	Oct 3	14	16	20
Regional Props.	1.45	—	1.25	2.2	1.9
STC ...int.	4.5	Oct 2	4	—	10

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues.

R. H. Morley omits final dividend

Profits before tax of R. H. Morley Group, manufacturer of plastic bags, amounted to £30,344 in the year to March 31 1981 on turnover of £2.83m.

At the time of the group's USM placing in March 1980, the directors forecast dividends for the year of not less than 4.725p. But they are now omitting the *final, and the 1p interim* paid after the "disappointing" midway surplus of £60,760 was anounced stands as the total for 1980-81.

Tax took £10,714, and the net surplus was £89,530.

Dunlop Malaysian static

Strong demand and increased output pushed sales of Dunlop Malaysian Industries ahead from 116.02m ringgit to 133.84m ringgit in the first half of 1981, but after-tax profits were virtually unchanged at 11.57m ringgit, against 11.34m ringgit.

The directors say rising manufacturing costs mean the full year surplus will be slightly below the record 48.3m ringgit reported for 1980.

The interim dividend is being held at 12.5 sens gross and a *two-for-three scrip issue* is planned. This will be paid for with 40m ringgit of a 42.53m ringgit surplus arising from a property revaluation.

The directors of the group, which is a unit of Dunlop Holdings of the UK, said lower natural rubber prices failed to offset higher costs of oil-derived materials, electricity, fuel and services in the first half, resulting in only a marginal profit increase.

Parent company profits after tax were down from 10.61m to 9.78m ringgit on sales of 125.99m ringgit (92.73m ringgit).

RECEIVERS FOR DOUGHTY GROUP

Mr Stephen James and Mr Ian Watt, of Thomson McLintock and Co., chartered accountants, have been appointed receivers and managers of Doughty Group, a private shoe wholesaler and retailer based in Woolwich. The group owns five shops in the home counties and a distribution centre near Manchester, and has sales of some £5m a year.

The receivers are reviewing the company's financial position to see if a buyer can be found for the business as a going concern.

Good start to year for John Swan

The current year has started well for auctioneer and estate agent John Swan and Sons, says Mr J. Whitton, chairman, in his statement accompanying the annual report and accounts.

Livestock numbers and prices are being well maintained and, if current talks at the EEC do nothing disastrous to the *Scottish farming industry* and the company's efforts to control credit and costs are successful, he says he looks forward with confidence to the future.

As reported on June 20, pre-tax profits in the year to the end of April rose from £163,779 to £182,106—this is reduced to £96,800 by CCA adjustments.

Meeting, Edinburgh, August 25 at 4 pm.

RESULTS AND ACCOUNTS IN BRIEF

REDLAND (construction materials and services group)—Results for the year to March 28 1981 reported June 26. Shareholders' funds £134.8m (£122.01m); fixed assets £125.75m (£131.66m); net current assets £62.92m (£55.07m), including bank overdrafts and loans currently repayable £8.53m (£12.08m) and cash and deposits £18.53m (£29.27m). Decrease in loan capital £9.16m (£20.15m increase). Group plans to increase its investments in Australia by further £10m through participation in placement of shares and underwriting to finance purchase of Rocla by Monier. It is reducing its percentage interest in Monier's enlarged share capital as a result of the acquisition by 1 per cent to 46.6 per cent. Meeting: Plaisterers Hall, London Wall, EC, August 27, 12.15 pm.

OWEN AND ROBINSON (jeweller and silversmith)—Final dividend for year to May 31 1981 10p, making 16p (20p) net. Turnover £1.05m (£1.27m), pre-tax profit £10,274 (£86,253), tax credit £6,506 (£35,420 charge), attributable £16,780 (£50,853) stated earnings per share 21.87p (70.52p). CCA attributable loss £57,000.

ROUTLEDGE AND KEGAN PAUL (book publisher)—Results for year to March 31 1981 reported July 9. Group shareholders' funds £2.1m (£2.01m). Fixed assets £679,256 (£711,764); net current assets £1.51m (£1.41m). Current cost loss before tax £80,000 (£2,000 profit) against historical profit £158,092 (£241,492). Camellia Investments holds *35 per cent of ordinary capital.* Meeting, Henley-on-Thames, September 16, 12.45 pm.

HARTLEY INDUSTRIAL TRUST—No dividend for year to March 31, 1981 (same). Turnover £470,401 (£444,401), pre-tax profit £58,272 (£24,506), tax charge £23,967 (£31,010 credit), extraordinary credits £13,529 (£66,390), retained £47,834 (£121,206). Earnings per share 1.99p (3.24p) before extraordinary items and 2.77p (7.03p) after.

LONDON & MIDLAND INDUSTRIALS (engineering and industrial services, consumer products)—Results for year to March 31 1981 and prospects reported July 17. Group shareholders' funds £17.8m (£16.91m). Fixed assets £8.65m (£8.47m). Net current assets £10.67m (£14.04m). Bank balances and cash up £33,000 (down £1.64m). Meeting, The Portman Hotel, W, August 25, noon.

R. KELVIN WATSON (spectacles, contact lenses, etc)—Results reported July 8. Shareholders' funds £2.36m (£2.31m), fixed assets £1.2m (£1.31m), net current assets £276,015 (£364,586) including bank overdrafts £570,084 (£213,556), decrease in bank balances and deposits £22,151 (increase £11,380). Meeting, Stockport, September 3, noon.

CENTROVINCIAL ESTATES (commercial property developer)—Results for year to March 31, 1981 reported July 3. Shareholders' funds £38.78m (£37.11m), current assets £1.75m (£2.26m), investment properties £59.77m (£59.19m), other fixed assets £0.2m (£0.24m), total borrowings £23.43m (£23.93m), other current liabilities £4.5m (£6.01m). Meeting, 4, 5 and 6 Savile Row, W, September 9, 10 am.

MELDRUM INVESTMENT TRUST—Interim dividend 1.25p (same). For half year ended June 30, 1981, gross revenue £590,253 (£627,566). Tax £178,479 (£193,831) leaving net revenue £361,342 (£394,413). Earnings 1.79p (1.96p) per share. Total assets £20.36m (£18.46m at December 31, 1980) equal to 101p (91.6p) per share.

ARLINGTON MOTOR HOLDINGS (motor dealer)—Results for year to March 31, 1981 and prospects reported July 23. Group fixed assets £4.9m (£4.85m); net current assets £5.1m (£5.97m); shareholders' funds £8.34m (£8.7m). Term bank loans (secured) £1.26m (£1.84m). Working capital decreased £1.45m (£0.14m). No provision for depreciation on freehold property has been made in accounts, as directors consider it not possible to estimate accurately its future useful life. Meeting, Chartered Accountants' Hall, EC, August 21, noon.

HAZLEWOOD FOODS—Results for year ended March 31 1981 reported June 30. Group fixed assets £2.22m (£1.79m), net current assets £2.88m (£1.42m), shareholders' funds £4.43m (£2.65m). Net bank overdrafts increased by £95,000 (£431,000). CCA pre-tax profit £840,000 (£1m historic). Meeting, Rowditch, Derby, August 24, noon.

INVESTMENT TRUST OF GUERNSEY—Net asset value per 50p share at June 30 1981 302p.

SPAIN

July 31	Price %	+ or —
Banco Bilbao	349	+6
Banco Central	378	+8
Banco Exterior	380	+5
Banco Hispano	321	+8
Banco Ind. Cat.	120	
Banco Santander	410	+8
Banco Urquijo	228	+4
Banco Vizcaya	374	+6
Banco Zaragoza	248	
Dragados	206	+3
Espanola Zinc	77	
Fecsa	69.5	+0.5
Gal. Preciados	50	
Hidrola	76.2	+0.2
Iberduero	56.5	+1
Petroleos	123.7	+3.7
Petroliber	89	
Sogefisa	59	
Telefonica	77.2	
Union Elect.	74.7	+0.5

Unochrome urges no action in intended bid

The directors of Unochrome yesterday urged shareholders to take no action for the time being on any offer from Eastern Produce (Holdings).

They said they have not had an opportunity to meet representatives of Eastern Produce since the latter issued a statement on July 31 of its intention to make a 21p offer for the outstanding shares it did not hold on that date in Unochrome.

The Unochrome directors said they will issue a further statement after they have met Eastern Produce representatives and consulted with their own advisers.

LEADENHALL AND AUTOFEEDS

Leadenhall Sterling has acquired **Autofeeds London** and its associate **Heywood Engineering and Autofio** for £270,000, to be paid in instalments over the next year.

Pre-tax profits of the two companies, which manufacture automatic paper feeders and stackers, will be below £50,000 for the year just ended because of the costs of a recently completed factory expansion and the effect of the strong pound on exports. However, conditions are now more favourable and there is a six-month order book. Sales for the year were close to £1.5m.

FIELDWOOD AND BRAHAM MILLAR

Fieldwood has further reduced its holding in the **Braham Millar** Group through the sale on Friday of 100,000 ordinary shares.

Hawley buys U.S. security company

BY IAN RODGER

Hawley Leisure, which realised £9.9m a few weeks ago on its sale of a 21 per cent stake in Pritchard Services, is acquiring a quoted U.S. security services company for $23.6m (£13m).

Electro-Protective Corporation of America (EPC), based in Parsippany, New Jersey, provides central station burglar, fire and other alarm services to over 15,000 subscribers in four states. It also designs and distributes a variety of burglar and fire alarm devices.

Turnover has grown steadily from $8.3m in the year to March, 1977 to $17.49m last year. Pre-tax profits rose from $651,000 to $2.6m over the same period and net income from $365,000, or 45 cents a share, to $1.34m or $1.63 a share. For the past four years, a dividend of 12 cents a share has been paid.

The EPC balance sheet at March 31, 1981 shows shareholders' funds of $7.8m (£4.31m). Current assets were $5.5m and current liabilities $3.9m. Long-term debt amounted to $1.3m andt here was $3.4m in deferred tax. Property, plant and equipment were valued at $10.7m.

Hawley has agreed, subject to its shareholders' approval, to buy the 55.5 per cent stake in EPC held by Mr Freddie Schnell, the chairman, for $12.8m, or $28 a share of which $6.4m is in cash and $6.4m will consist of Hawley 10 per cent convertible loan notes.

The notes are redeemable in four equal instalments on the second, third, fourth and fifth anniversaries of completion if not previously converted. They are convertible into Hawley shares in the redemption years at 146p, 170p, 170p and 195p respectively, and would involve the issue of up to 2.05m new Hawley shares.

Hawley has also agreed to make a tender offer for the other 390,552 EPC shares or 44.5 per cent of the equity at the same price, $28 per share in cash.

It is Hawley's intention to retain only 60 per cent of the EPC shares and it would seek to find other investors in either the U.S. or the UK for any additional shares acquired under its offer. It is envisaged that dealings in the UK will take place under Stock Exchange rule 163 (1) (e) while dealings in the U.S. will continue on the NASDAQ over-the-counter market.

EPC shares were quoted at $20 just before the deal was announced.

Hawley has been seeking a U.S. expansion for some time and considers EPC an excellent find.

"In terms of growth prospects, we consider this as attractive as anything we have," Mr Tony Millar, deputy chairman, said yesterday. Hawley's other major activities include the supply of amusement machines, the retailing of sporting goods, hi-fi equipment and bedroom furniture and the operation of office and industrial cleaning services.

It also has a small security services business in the UK (turnover £0.5m) and Mr Millar said the group hoped to bring EPC's expertise in operating central station alarm services to the UK now that telecommunication lines may be easier to obtain.

Hawley had net tangible assets of about £17.5m and net cash balances of about £1m prior to the EPC deal.

Hawley shares eased 1p yesterday to 69p where the market capitalisation is £26.36m.

Plessey selling off hydraulics business

Plessey, one of Britain's largest electronics groups, is selling its hydraulics business to **Sundstrand Corporation** of Illinois for $18m (£10m).

Plessey says that the divestment is in accordance with the group's policy of concentrating its resources in its main growth business areas.

The sale covers Plessey Hydraulics in Swindon, Plessey Turolla Idraulica in Bologna, Italy, and Plessey Hydratec in West Germany.

Sales of these businesses amounted to $38m (£17.4m) for the year ended April 3, 1981. Total sales of the group in the same period were £844m.

Both companies expect that prospects for employment and investment will be enhanced as a result of the transaction. For Sundstrand, the acquisition complements the line of hydrostatic transmissions and hydraulic equipment of its hydro-transmission division. It will also expand its fluid power base for agricultural, construction material handling and earthmoving equipment.

Steetley cash offer for Downing closes

The cash alternative in Steetley Company's offer for G. H. Downing and Company has now closed.

Elections by Downing shareholders for the cash offer, which is limited under the terms of the bid to £5.5m, amounted to £9.05m, and accepting shareholders will receive some 60.8 per cent of the cash for which they have elected, with the remainder in new Steetley ordinary shares.

Renounceable certificates and cheques will be posted on August 14. The share offer remains open until further notice.

W. Mining to resume its phosphate operations

BY KENNETH MARSTON, MINING EDITOR

THE AUSTRALIAN mining major, Western Mining, says in its latest quarterly report that it is to resume operations at the big Duchess phosphate deposits in Queensland, reports our Sydney correspondent.

Initial production will be at the annual rate of 200,000 wet tonnes of direct shipping grade rock worth about A$7m (£4.3m). This is much less than figures mentioned in the speculation about a re-opening that has been prevalent over the past year.

A higher level of production is necessary for an economic operation and the aim is to expand as soon as markets permit. Indications from both Australian and overseas consumers are that additional tonnages can be placed once the initial operation has been established.

Western Mining says that readily available direct shipping ore reserves are adequate for more than 10 years at expected production levels. But it is stressed that the longer term future of the phosphate mine will depend on the development of economic upgrading techniques for the lower grade rock which makes up the bulk of the known reserves.

The decision to recommence operations on a small scale has been made in the belief that the supplies of phosphate rock from traditional sources to Australia will diminish in the near future and that the development of the Queensland deposits to fill at least part of the gap is of national importance.

Phosphate use has dropped because of drought and a lack of funds in some cases but Western Mining is confident that the reopened mine can provide some of the shortfall expected in supplies from Nauru and Christmas Island, even though the Duchess rock is harder and will need more processing.

The company's latest production report also indicates that it has fared better than some other major mining houses during the past quarter.

Nickel production at Kambalda has risen by more than 8 per cent over the past 12 months to end-June and, depending on how much has been stockpiled and the grades produced, the 6 per cent discount on the official nickel price for most of the second half should not have had much impact.

Adding another optimistic note, the report says that the new gold circuit, which came into operation during the year, has lifted gold production by more than 300 per cent.

In all, over 10,000 ozs of gold were recovered, compared with 2,423 ozs in 1979-80. Even at present gold prices that represented an increase in value of A$4m.

Western Mining shares, a dull market of late, hardened to 287p in London yesterday.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interim: International Investment Trust.

Finals: Ailsa Investment Trust, Centreway Trust, Cowan de Groot, Fobel International, Sterling Credit, Unitech, Wagon Industrial.

FUTURE DATES

Interims—

East Lancashire Paper	Aug 6
Hill and Smith	Aug 27
Sharpe (W. N.)	Aug 24
Smith and Nephew	Aug 11
Taylor Woodrow	Aug 11
Turner and Newall	Sept 10

Finals—

Allen (W. G.)	Aug 13
G T Asia (Sterling) Fund	Aug 10
Nolton	Aug 12
Sentrust	Aug 6
Singlo	Aug 13
Smith Bros.	Aug 6

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$400	—	—	20	27	—	—	$595.50
GOLD C	$425	—	—	1	16	—	—	„
GOLD C	$450	14	1.10	2	11 B	10	25	„
GOLD C	$475	—	—	22	8 A	—	—	„
GOLD C	$500	—	—	3	5	5	12	„
GOLD P	$400	16	14	5	20	—	—	„
GOLD P	$425	—	—	2	35	—	—	„
GOLD P	$500	8	108	—	—	—	—	„
		Oct.		Jan.		April		
ABN C	F.300	26	12.50	—	—	—	—	F.299
ABN C	F.320	30	3.80 A	19	7.50	5	11	„
AKZO C	F.20	5	6.10	—	—	—	—	F.25.60
AKZO C	F.22.50	44	4.20	—	—	—	—	„
AKZO C	F.25	6	2.40	5	3.80	—	—	„
AKZO C	F.27.50	27	1.30	62	2.10	—	—	„
AKZO P	F.25	20	0.60	40	1.30	—	—	„
HEIN C	F.45	—	—	—	—	9	5.60	F.46.50
HEIN C	F.50	6	2.50	—	—	—	—	„
HEIN C	F.55	19	0.90	—	—	—	—	„
HEIN C	F.60	10	0.40	—	—	—	—	„
HEIN P	F.45	—	—	—	—	5	3.20	„
HEIN P	F.50	6	.5	—	—	—	—	„
HEIN P	F.55	—	—	10	10 A	—	—	„
HOOG C	F.17.50	—	—	—	—	10	3.80	F.18.50
HOOG C	F.20	5	1.10	32	1.80	31	2.40	„
IBM C	$60	—	—	—	—	5	4¼	$56½
KLM C	F.80	10	27 A	—	—	—	—	F.105.50
KLM C	F.100	27	13	—	—	—	—	„
KLM C	F.110	159	7.80	—	—	—	—	„
KLM C	F.120	38	5	—	—	—	—	„
KLM C	F.130	108	3	—	—	—	—	„
KLM C	F.150	30	1.10	—	—	—	—	„
KLM P	F.70	5	0.80	—	—	—	—	„
KLM P	F.80	54	1.80	—	—	—	—	„
KLM P	F.90	62	3.50 B	—	—	—	—	„
KLM P	F.100	28	7 B	—	—	—	—	„
KLM P	F.110	25	11.50 B	—	—	—	—	„
KLM P	F.130	10	27	—	—	—	—	„
KLM P	F140	—	—	11	37.50	—	—	„
NEDL C	F.130	—	—	—	—	8	23	F.143
NEDL C	F.140	25	11.80	11	13.80	5	15.50 B	„
NEDL C	F.150	111	6.20	15	9	—	—	„
NEDL P	F.140	—	—	15	6	—	—	„
PHIL C	F.17.50	18	7.10	—	—	—	—	F.24.40
PHIL C	F.20	70	4.90	—	—	—	—	„
PHIL C	F.22.50	274	3	114	3.90	—	—	„
PHIL C	F.25	662	1.60	97	2.70	15	3.40	„
PHIL C	F.27.50	81	0.60	2195	1.30	—	—	„
PHIL P	F.22.50	181	0.50	—	—	—	—	„
PHIL P	F.25	56	1.40	177	1.90	—	—	„
RD C	F.80	29	14	10	14.50	—	—	F.92.10
RD C	F.90	117	6.20	6	8.20	—	—	„
RD C	F.100	104	2.10	29	4	—	—	„
RD P	F.80	46	1.20	—	—	—	—	„
RD P	F.90	134	4.30	—	—	—	—	„
RD P	F.100	15	10	—	—	—	—	„

TOTAL VOLUME IN CONTRACTS 5922

A=Asked B=Bid C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	12 %
Allied Irish Bank	12 %
American Express Bk.	12 %
Amro Bank	12 %
Henry Ansbacher	12 %
AP Bank Ltd.	12 %
■ Arbuthnot Latham	12 %
Associates Cap. Corp.	12 %
Banco de Bilbao	12 %
BCCI	12 %
Bank of Cyprus	12 %
Bank of N.S.W.	12 %
Banque Belge Ltd.	12 %
Banque du Rhone et de la Tamise S.A.	12½%
Barclays Bank	12 %
Beneficial Trust Ltd.	13 %
Bremar Holdings Ltd.	13 %
Bristol & West Invests.	13 %
Brit. Bank of Mid East	12 %
■ Brown Shipley	12½%
Canada Perm't Trust	13 %
Cayzer Ltd.	12 %
Cedar Holdings	12 %
■ Charterhouse Japhet	12 %
Choulartons	12 %
C. E. Coates	12 %
Consolidated Credits	12 %
Co-operative Bank	*12 %
Corinthian Secs.	12 %
The Cyprus Popular Bk.	12 %
Duncan Lawrie	12 %
Eagil Trust	12 %
E. T. Trust Limited	12 %
First Nat. Fin. Corp.	14 %
First Nat Secs. Ltd.	14 %
Robert Fraser	12 %
Antony Gibbs	12 %
Greyhound Guaranty	12 %
Grindlays Bank	‡12 %
■ Guinness Mahon	12 %
■ Hambros Bank	12 %
Heritable & Gen. Trust	12 %
■ Hill Samuel	§12 %
C. Hoare & Co.	†12 %
Hongkong & Shanghai	12 %
Knowsley & Co. Ltd.	12½%
Langris Trust Ltd.	12 %
Lloyds Bank	12 %
Mallinhall Limited	12 %
Edward Manson & Co.	13 %
Midland Bank	12 %
■ Samuel Montagu	12 %
■ Morgan Grenfell	12 %
National Westminster	12 %
Norwich General Trust	12 %
P. S. Refson & Co.	12 %
Ryl. Bk. Canada (Ldn.)	12 %
Slavenburg's Bank	12 %
E. S. Schwab	13 %
Standard Chartered	‖12 %
Trade Dev. Bank	12 %
Trustee Savings Bank	12 %
TCB Ltd.	12 %
United Bank of Kuwait	12 %
Whiteaway Laidlaw	12½%
Williams & Glyn's	12 %
Wintrust Secs. Ltd.	12 %
Yorkshire Bank	12 %

■ Members of the Accepting Houses Committee.

* 7-day deposits 9%, 1-month 9¼%. Short term £4,000/12 months 11.85%.

† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 10% and over £50,000 11%.

‡ Call deposits £1,000 and over 9%.

§ Demand deposits 9¼%.

‖ 21-day deposits over £1,000 10½%.

Wettern agrees terms for Mono Concrete disposal

Wettern Brothers has reached agreement to dispose of Mono Concrete to Marshalls (Halifax) for £1.3m cash, subject to shareholders' approval. After settlement of inter-company trading accounts, estimated to involve payment to Mono by Wettern of about £100,000, the net amount received by Wettern is expected to be about £1.2m. In addition, Marshalls has agred to pay Wettern up to £48,000 in cash in respect of tax losses.

Mono, which manufactures a range of pre-cast concrete products, made a pre-tax loss £56,000 in 1980 and net assets at December 31 1980 were £1,653,000 taking into account the capitalisation of inter-company loans and current accounts totalling £1,113,000.

In 1980 borrowings of Wettern rose from £989,000 to £1,889,000. In view of the economic recession and burden of high interest rates the board continued the radical rationalisation of the group's activities.

In the current year the key element of strategy is to slim down operations and seek to reduce borrowings. The disposal of Mono strengthens Wettern's financial position and significantly advances rationalisation of activities.

For the future Wettern directors believe the group should concentrate on exploiting its sand, gravel and merchanting operations, seeking growth opportunities within those areas for improved performance and a stronger financial base.

The disposal will strengthen the group's balance sheet and liquidity position. Net borrowings of £1.88m at December 31 1980 would have been reduced to £451,000 and losses for that year would have been substantially reduced.

For the current year, interests costs will be reduced but it is not expected that the disposal will have any significant effect on results overall, bearing in mind an anticipated improvement in contribution which Mono could be expected otherwise to have made.

Marshalls' directors point out that Mono about broke even in half year to June 30 1981. They say the proposed acquisition will form "an important addition" to Marshalls concrete and quarrying division by increasing its product range and extending its geographical coverage.

Consideration will be satisfied by the issue of 1,449,385 new Marshalls shares which have been conditionally placed by E. B. Savory Milln and Co.

TRUSTHOUSE FORTE

Trusthouse Forte, which owns book publishers Sidgwick and Jackson, has acquired a controlling interest in Perry Publications, publisher of The Food Magazine.

Sir Charles Forte and Mr Edward Martell have joined the Perry Publications board.

ASSOCIATES DEAL

Laing and Cruickshank, as associates of Otis Elevator, yesterday bought 150,000 Harris and Sheldon ordinary shares at 52.875p, and 50,000 ordinary shares at 53p. Mr Derek M. Coombs, Metalrax Holdings director, disposed of 27,500 shares.

UBM GROUP/NEIMAN-REED

UBM Group has completed the acquisition of 51 per cent of the common stock of **Neiman-Reed Lumber and Supply Company**, of Los Angeles, by the issue of US$8.4m 9 per cent promissory notes, redeemable at par in one year's time.

ATTWOOD GARAGES PROPERTY SALE

Attwood Garages has exchanged contracts for the sale of its freehold premises at Raglan Street, Wolverhampton, for £480,000.

The sale will reduce borrowings and have a favourable effect on interest charges, says the group.

PARKER KNOLL AND NATHAN

Offers made on behalf of **Parker Knoll for B. and I. Nathan** have become unconditional and will remain open for acceptance until further notice.

Acceptances of the offers have been received for 1,697,801 shares of Nathan (90.72 per cent).

AMAL. FILM/IVER FILM

Amalgamated Film Enterprises, a subsidiary of Choulartons, financial and banking services group, has acquired a 51 per cent shareholding in Iver Film Services, a video tape distribution company.

HAMPTON GOLD

Following the purchase of 127,500 shares, M and G Endowment and Pensions Assurance Company has increased its holding in **Hampton Gold Mining Areas** to 866,250 shares, representing 6.2 per cent of the share capital.

Cooper Industries strengthens its position on Lloyd board

THE AFTERMATH of what was described as an "acrimonious" board meeting and the subsequent annual meeting of F. H. Lloyd last Thursday has seen the strengthening of Cooper Industries' representation on the board.

The poll, which a lawyer acting for Cooper Industries had called for immediately before the annual meeting, resulted in the re-election of Mr Alan Harris and Mr Charles Harrison—two executive divisional managers recently appointed to the Lloyd's board—not being carried.

Immediately following the meeting, two further Cooper appointees were co-opted to the board. These are Mr Denis Parker, a director of Lloyds (Dudley), the mini-mill which was jointly owned by F. H. Lloyd and Cooper Industries until Lloyd bought total control late last year, and Mr Cedric Grew, a director of Cooper Industries.

Following further discussions, F. H. Lloyd announced yesterday, Messrs Harris and Harrison have been unanimously re-appointed to the board, Mr Harris as managing director of the engineering and steel division and Mr Harrison as managing director of the foundries and services division.

It was also announced that Mr D. E. Jones, the managing director of Cooper Industries has been appointed group managing director of F. H. Lloyd Holdings. He is the replacement that the group has been seeking for Mr Frank Clymer, the chief executive who left abruptly in June. Mr Jones, it is announced, will relinquish all duties and directorships of Cooper Industries and co-ordinate the divisional control exercised by Messrs Harris and Harrison in their respective functions.

Mr Robert Foster, a close friend of Mr Charles Cooper, the founder of Cooper Industries, will continue as chairman of F. H. Lloyd, while the non-executive director, Mr Ronald Middleton, who was designated chairman elect in the annual accounts did not succeed to the post at the board meeting which followed last Thursday's annual meeting.

● comment

The first point to make about the close ties which have suddenly crystallised between F. H. Lloyd and Cooper Industries in the vacuum created by the abrupt departure of Lloyd's long-standing chief executive is that Cooper is by far the smaller of the two companies. Its 28.52 per cent holding in Lloyd is valued at over £3.5m while Cooper itself is capitalised at a little over £3m. But Cooper has apparently filled the executive vacuum with its own appointee, backed by three other Cooper representatives on the Lloyd board. The new chief executive will be "co-ordinating" the function of the two senior line directors whom, only last week, Cooper was seeking to eject.

The second point is the extent to which outside shareholders might reasonably expect consultation in this sudden shift of management control. The institutions hold 24 per cent of the votes, the Britannic alone has 6.5 per cent, and concerted questioning from this source should now elicit the motives for Cooper's power play and the direction in which it wants to points its new associate.

LONDON TRADED OPTIONS

August 3. Total Contracts 713. Calls 579. Puts 154.

Option	Ex'rcise price	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	April Closing offer	April Vol.	Equity close
BP (c)	280	49	1	58	—	70	6	320p
BP (c)	300	30	1	46	—	56	—	„
BP (c)	320	18	25	36	2	—	—	„
BP (c)	350	8	1	18	4	—	—	„
BP (c)	419	1½	3	4	—	—	—	„
BP (p)	300	9	—	15	100	21	1	„
CU (c)	160	29	3	38	—	41	—	179p
CU (c)	200	9	—	12	1	18	5	„
Cons. Gld (c)	500	18	4	30	—	42	21	466p
Cons. Gld (c)	550	8	3	17	1	—	—	„
Court'lds (c)	60	7½	2	13½	—	15	—	65p
Court'lds (c)	80	1	—	2½	2	—	—	„
GEC (c)	650	105	—	130	5	—	—	743p
GEC (c)	700	65	—	90	2	110	—	„
Gr'd Met. (c)	180	27	4	36	—	—	—	205p
Gr'd Met. (c)	200	16	3	24	—	29	—	„
Gr'd Met. (c)	220	5½	4	12½	—	16½	—	„
ICI (c)	260	22	16	40	—	48	2	278p
ICI (c)	280	12	10	26	—	34	—	„
ICI (c)	300	5	31	14	—	—	—	„
Land Sec. (c)	336	18	1	25	—	—	—	325p
Mks & Sp (c)	130	8½	2	13½	—	19	—	128p
Mks & Sp (c)	140	3	—	8	1	—	—	„
Shell (c)	360	46	2	56	2	70	—	394p
Shell (c)	390	22	4	38	—	50	—	„
Shell (c)	420	10	1	22	20	—	—	„
Shell (p)	390	18	—	20	20	26	—	„
		August		November		February		
Barclays (c)	420	24	7	35	14	50	—	438p
Barclays (c)	460	6	—	17	1	32	4	„
Imperial (c)	60	4	—	6½	32	7	1	63p
Lasmo (c)	600	14	—	45	—	72	1	579p
Lasmo (c)	650	5	3	25	—	—	—	„
Lonrho (c)	90	3½	—	6½	1	10	4	91p
Lonrho (c)	100	1	10	3½	—	6	6	„
Lonrho (p)	90	2½	—	6	—	7	7	„
P & O (c)	130	3	25	6	88	10½	—	125p
P & O (c)	140	1½	5	3	—	6	—	„
Racal (c)	390	45	3	63	—	80	—	433p
Racal (c)	420	21	19	41	—	57	—	„
Racal (c)	460	5	—	19	27	35	—	„
Racal (p)	390	2	—	9	—	11	5	„
Racal (p)	420	6	1	16	—	22	—	„
RTZ (c)	380	172	—	187	5	—	—	558p
RTZ (c)	460	102	30	122	—	138	—	„
RTZ (c)	500	62	28	85	11	117	—	„
RTZ (c)	550	23	16	60	35	85	1	„
RTZ (c)	600	7½	—	35	—	57	12	„

C=Call P=Put

Higher costs and lower metal prices hit Atlas

A SHARP decline in profits for the second quarter of this year is reported by **Atlas Consolidated Mining and Development**, the biggest copper producer in the Philippines and one of the leading gold miners there.

Leo Gonzaga reports from Manila that net income of Pesos 20.6m (£1.42m) for the latest quarter compares with Pesos 80m in the same period of last year: earnings per share have fallen to 24 centavos from 95 centavos.

Explaining the downturn in fortunes at the company's meeting Mr Andres Soriano, the Atlas president, said that while copper production increased by 7 per cent and that of gold was 30 per cent up, production costs rose by 20 per cent and the respective metal prices were lower.

During the latest quarter Atlas received an average of 79 cents U.S. per pound for copper and $479 per ounce for gold. These figures compare with 92 cents for copper and $544 for gold a year ago.

As a cost-cutting measure Atlas is to switch from oil to coal as the main fuel for its copper mining operations in Toledo, Cebu Province. A loan of $155m was recently obtained to help finance the oil-to-coal project and also for the purchase of additional equipment for the expansion of copper and gold production.

BP in Mexican joint venture

A NEW company, **Minera Promet** has been formed by Mexico's **Frisco** (55 per cent) and **British Petroleum** (45 per cent) to search for minerals in the Chihuahua and Durango states of Mexico. Frisco will provide the mining claims, while financing and technical direction during the exploration stage will come from BP.

The newcomer will examine two mineralised areas containing principally silver, lead and zinc. It will seek to determine whether ore tonnages and grade are sufficient for exploitation.

Frisco is one of the largest mining groups in Mexico and produces silver, lead, zinc, fluorspar and molybdenum. It also has an interest in other chemical and service companies.

The company is also engaged in a large exploration programme in the country and being a 100 per cent Mexican company is able to offer attractive conditions for association with foreign investors, the announcement adds.

Rundle Twins to explore in Luxembourg

THE TWO Australian companies involved with **Exxon** of the U.S. in the troubled oil shale exploration venture at Rundle in Queensland have added to the list of their non-Australian exploration ventures, reports our Sydney correspondent.

Australia's Rundle Twins, **Central Pacific Minerals** and **Southern Pacific Petroleum**, have linked with **Arbed**, one of Europe's leading steelmakers, to explore for oil shale in the southern part of the Grand Duchy of Luxembourg.

The joint venture will drill known oil shale deposits in order to make a geological assessment of them, with Arbed making its extensive land holdings available and providing laboratory and other support, including the results of its own previous drilling.

If the new exploration proves encouraging, the partners plan a detailed engineering feasibility study and envisage setting up a commercial plant, with Arbed holding 50 per cent and the remainder split between the Australian partners.

The latest quarterly report from the companies also indicates a revival of interest in the Malawiri uranium prospect in the Northern Territory. The report said that three of the 19 holes drilled on the prospect show promising uranium mineralisation.

Jordan Mines plans new complex

THE state-owned **Jordan Phosphate Mines** plans to build a new processing complex some 6 km from its present phosphate rock mine at Ruseifa, 10 km east of Amman, reports our correspondent.

The new facilities, which are hoped to enter service in early-1983, will cost nearly 6m Jordan dinars (£10m) and will process between 800,000 and 1m tons of phosphate rock per year.

JPMC last year produced and exported 3.9m tons of raw phosphate rock, most of which came from the main mines at Hassa and Wadi al Abyad, in central Jordan. Less than 1m tons came from Ruseifa.

The new processing plant will maintain Ruseifa's level of production, while Wadi al Abyad and Hassa expand annual output to 5m tons during the coming two years, making use of the first walking dragline introduced into the Middle East.

The Industry and Trade Minister, Mr Walid Asfour, said that studies for opening a major new mine sited in southern Jordan would be completed within one year.

International consultants are now bidding on a feasibility study for a minesite at Shidiya, study for a mine site at Shidiya, in the remote desert region of south-eastern Jordan, along the Saudi border.

Mr Asfour added that Shidiya alone is expected to produce 5m to 6m tons per year when it enters service in the late 1980s. He also indicated that the Government is studying the possibility of allowing private sector participation in the Shidiya operation.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on August 3, 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rates; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	107.50
Albania	Lek	9.95
Algeria	Dinar	7.6210
Andorra	French Franc	10.805
	Spanish Peseta	179.65
Angola	Kwanza	(CM) 62.936
		(T) 58.139
Antigua (S)	E. Caribbean $	4.86
Argentina	Ar. Peso	(cm)8,821.0
		(fn) 13,204.0
Australia (S)	Australian $	1.5990
Austria	Schilling	31.975
Azores	Portugu'se Escudo	119.50
Bahamas (S)	Ba. Dollar	1.8005
Bahrain (S)	Dinar	0.687
Balearic Isles	Spa. Peseta	179.65
Bangladesh (S)	Taka	33.40
Barbados (S)	Babados $††	3.6010
Belgium	B. Franc	(cm) 74.30
		(fn) 75.90
Belize	B $	3.6010
Benin	C.F.A. Franc	540.25
Bermuda (S)	Bda $	1.8005
Bhutan	Indian Rupee	16.43
Bolivia	Bolivian Peso	45.05
Botswana (S)	Pula	1.6540
Brazil	Cruzeiro ‡‡	175.40
Brit. Virgin Isles (S)	U.S. $	1.8005
Brunei (S)	Brunei $	3.9380
Bulgaria	Lev	1.8012
Burma	Kyat	12.10
Burundi	Burundi Franc	166.71
Cameroon Republic	C.F.A. Franc	540.25
Canada	Canadian $	2.2360
Canary Islands	Spanish Peseta	179.65
Cape Verde Isle	Cape V. Escudo	65.75
Cayman Islands (S)	Cay. Is. $	1.5004
Cent. Af. Repub.	C.F.A. Franc	540.25
Chad	C.F.A. Franc	540.25
Chile	C. Peso	(Bk)70.78
China	Renminbi Yuan	3.3089
Colombia	C. Peso	(F) 99.48
Comoro Islands	C.F.A. Franc	540.25
Congo (Brazaville)	C.F.A. Franc	540.25
Costa Rica	Colon	36.06
Cuba	Cuban Peso	1.3310
Cyprus (S)	Cyprus £	0.8350
Czechoslovakia	Koruna	(com) 11.45
		n/c 19.93
		(T) 19.34
Denmark	Danish Krone	14.31
Djibouti	Fr.	320 (sg)
Dominica (S)	E. Caribbean $	4.86
Dominican Repub.	Dominican Peso	1.8005
Ecuador	Sucre	(O) 48.33
		(F) 51.56
Egypt	Egyptian £	(U) 1.28
Equatorial Guinea	Ekuele	359.3
Ethiopia	Ethiopian Birr	(P) 3.7450
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	14.31
Fiji Islands	Fiji $	1.6160
Finland	Markka	8.3335
France	French Franc	10.805
French C'tyin Af*	C.F.A. Franc	540.25
French Guiana	Local Franc	10.805
French Pacific Is.	C.F.P. Franc	190 (sg)
Gabon	C.F.A. Franc	540.25
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	4.55
Germany (West)	Deutsche Mark	4.55
Ghana (S)	Cedi	5.10
Gibraltar (K)	Gibraltar £	1.0
Greece	Drachma	110.556
Greenland	Danish Kroner	14.31
Grenada (S)	E. Caribbean $	4.86
Guadaloupe	Local Franc	10.805
Guam	U.S. $	1.8005
Guatemala	Quetzal	1.8005
Guinea Republic	Syli	39.90
Guinea Bissau	Peso	71.08
Guyana (S)	Guyanese $	5.4735
Haiti	Gourd	9.0025
Honduras Repub.	Lempira	3.65
Hong Kong (S)	H.K. $	10.5680
Hungary	Forint	(com) 66.8442
		(T)(nc) 61.4167
Iceland (S)	I. Krona	13.864(§)
India (S)	Ind. Rupee	16.43
Indonesia	Rupiah	1,146.60
Iran	Rial	151.70(sg)
Iraq	Iraq Dinar	0.5400
Irish Republic (k)	Irish £	1.2470
Israel	Shekel	22.30
Italy	Lira	2,244.0
Ivory Coast	C.F.A. Franc	540.25
Jamaica (S)	Jamaica Dollar	3.2110
Japan	Yen	442.0
Jordan (S)	Jordan Dinar	0.608(sg)
Kampuchea	Riel	2,160.6
Kenya (S)	Kenya Shilling	16.4250
Kiribati	Australian $	1.5990
Korea (Nth)	Won	1.92(1)
Korea (Sth)	Won	1,265.08
Kuwait	Kuwait Dinar	0.518
Laos	New Kip	18.005
Lebanon	Lebanese £	8.0555
Lesotho	Loti	1.72575
Liberia	Liberian $	1.8005
Libya	Libyan Dinar	0.5330
Liechtenstein	Swiss Franc	3.9575
Luxembourg	Lux Franc	74.30
Macao	Pataca	10.95
Madeira	Portug'se Escudo	119.50
Malagasy Republic	MG Franc	540.25
Malawi (S)	Kwacha	1.7160
Malaysia (S)	Ringgit	4.2950
Maldive Islands (S)	Mal Rupee	7.1525
Mali Republic	Mali Franc	1,008.5
Malta (S)	Maltese £	0.749
Martinique	Local Franc	10.805
Mauritania	Ouguiya	1064.5
Mauritius (S)	M. Rupee	16.15
Mexico	Mexican Peso	44.67
Miquelon	C.F.A. Franc	540.25
Monaco	French Franc	10.805
Mongolia	Tugrik	(o)6.40(1)
Montserrat	E. Caribbean $	4.86
Morocco	Dirham	10.16(sg)
Mozambique	Metical	54.80
Nauru	Australian Dollar	1.5990
Nepal	Nepalese Rupee	21.85
Netherlands	Guilder	5.045
Netherland Antilles	Antillian Guilder	3.2228
New Zealand (S)	N. Z. Dollar	2.1960
Nicaragua	Cordoba	18.15
Niger Republic	C. F. A. Franc	540.25
Nigeria (S)	Naira	1.242380(sg)
Norway	Norway Krone	11.23
Oman Sul'ate of (S)	Rial Omani	0.630
Pakistan	Pakistan Rupee	17.85
Panama	Balboa	1.8005
Papua N.Guinea (S)	Kina	1.2540
Paraguay	Guarani	228.69
Peru	Sol	exe (A) 772.0
Philippines	Philippine Peso	14.10
Pitcairn Islands (S)	£ Sterling	—
	New Zealand $	2.1960
Poland	Zloty	(Cm) 66.38
		(T) 66.38
Portugal	Portugu'se Escudo	119.50
Puerto Rico	U.S. $	1.8005
Qatar (S)	Qatar Ryal	6.54
Reunion Ile de la	French Franc	10.805
Romania	Leu	(Cm) 8.31
		(nc) 20.45
Rwanda	Rwanda Franc	174.59
St. Christopher (S)	E. Caribbean $	4.86
St. Helena	St. Helena £	1.0
S. Lucia	E. Caribbean $	4.86
St. Pierre	Local Franc	10.805
S. Vincent (S)	E. Caribbean $	4.86
Salvador El	Colon	4.54
Samoa American	U.S. $	1.8005
San Marino	Italian Lira	2,244.0
Sao T'oe&Principe	Dobra	75.10
Saudi Arabia	Ryal	6.22
Senegal	C.F.A. Franc	540.25
Seychelles	S. Rupee	11.75(sg)
Sierra Leone (S)	Leone	2.2452
Singapore (S)	Singapore $	3.9380
Solomon Islands (S)	Solomon Is. $	1.6250
Somali Republic	Somali Shilling (3)	(A) 11.55
Somali Republic	Somali Shilling (4)	23.68
South Africa (S)	Rand	1.72575
South West African Territories (S)	S. A. Rand	1.72575
Spain	Peseta	179.65
Spanish ports in North Africa	Peseta	179.65
Sri Lanka (S)	S. L. Rupee	34.00
Sudan Republic	Sudan £ (1)	0.90
Sudan Republic	Sudan £ (2)	1.44
Surinam	S. Guilder	3.2228
Swaziland (S)	Lilangeni	1.72575
Sweden	S. Krona	9.58
Switzerland	Swiss Franc	3.9575
Syria	Syria £	(A) 10.00
Taiwan	New Taiwan $	64.80
Tanzania (S)	Tan. Shilling	15.50
Thailand	Baht	41.35
Togo Republic	C.F.A. Franc	540.25
Tonga Islands (S)	Ha'anga	1.5990
Trinidad (S)	Trinidad & Tob. $	4.3212
Tunisia	Tunisian Dinar	0.940(sg)
Turkey	Turkish Lira	214.66
Turks & Caicos	U.S. $	1.8005
Tuvalu	Australian $	1.5990
Uganda (S)	Uganda Shilling	150.0
United States	U.S. Dollar	1.8005
Uruguay	Uruguay Peso	(cm) 19.77
		(fn) 19.80
Utd. Arab Emirates	U.A.E. Dirham	6.70
U.S.S.R.	Rouble	1.4140
Upper Volta	C.F.A. Franc	540.25
Vanuatu	Vatu	170(sg)
	Aust. Dollar	1.5990
Vatican	Italian Lire	2,244.0
Venezuela	Bolivar	7.79
Vietnam	Dong	(O) 3.9675
		(T) 4.70 (1)
Virgin Islands U.S.	U.S. Dollar	1.8005
Western Samoa S.	Samoan Tala	3.64
Yemen (Nth)	Ryal	8.34 sg
Yemen (Sth)	S. Yemen Dinar	(A) 0.6215
Yugoslavia	New Y Dinar	72.6176
Zaire Republic	Zaire	10.454052
Zambia	Kwacha	1.6750
Zimbabwe	Zimbabwe $	1.5175

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡General rates of oil and iron exports 75.60. **Rate is the transfer market (controlled). ††Rate is now based on 2 Barbados $ to the dollar. ‡‡Now one official rate. (U)Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (1)Based on gross rates against Russian rouble. (1)Official rates for government transactions and specified exports and imports. (2)Parallel rate for non-government transactions and non-specified exports and imports. §One new Krona = 100 old Kronur. (3)Parallel exchange rate for essential imports. (4)Exports and non-essential imports and transfers.

Dollar very firm

The dollar continued to improve in currency markets yesterday helped by high U.S. interest rates and renwed fears over the situation in Poland. Dollar sentiment remained extremely *bullish and may have* reflected to some extent market confidence in the Reagan Administration. The dollar touched its best level since September 1976 against the D-mark and reached an all-time high against the lira, as well as a new 21-year peak against the French franc. The U.S. unit was also at its highest since October 1977 against the Swiss franc and April 1980 against the Japanese yen.

Sterling fell below $1.80 at one point but showed relatively small losses against European currencies.

The Italian lira continued as the strongest member of the European Monetary System slightly ahead of the D-mark. All members of the EMS were *extremely* weak against the dollar but showed no positional changes within the system.

DOLLAR — trade weighted index (Bank of England) rose to 114.8 from 112.8. The dollar touched a best level of DM 2.5330 against the D-mark before closing at DM 2.5260 well up from Friday's figure of DM 2.4720. Against the Swiss franc it finished at *SwFr 2.1970 compared* with SwFr 2.1460 and rose sharply against the Japanese yen to Y245.40 from Y240.30. The dollar closed above FFr 6.0 for *the first time since* the introduction of the new franc in 1960, finishing at FFr 6.0050 against FFr 5.8700 on Friday.

STERLING — trade weighted index (Bank of England) fell to 91.5 from 92.0, having stood at 91.7 at noon and 91.6 in the morning. Sterling resisted the dollar's rise quite well during the morning but fell away later in the day to finish at its worst closing level since October 1977. It opened at $1.8255 and was quoted at $1.8200 around noon. By 3.00 pm it had fallen to $1.81 and around 4.30 pm touched a low of $1.7970. It closed at $1.8000-1.8010, a fall of 4.1c from Friday. It was only slightly down against the D-mark at DM 4.55 against DM 4.5550 and FFr 10.8050 from FFr 10.8075. Against the Swiss franc it rose to SwFr 3.9575 from SwFr 3.9550. *The Bank of England* was probably in the market from time to time giving support to sterling.

D-MARK—No longer strongest member of the European Monetary System, having been superseded at the end of last week by the Italian lira. The D-Mark remains very weak against the dollar as U.S. interest rates remain high and a continued widening in Germany's current account deficit has also had a depressing effect—The D-mark continued to lose ground against the dollar in Frankfurt yesterday. At the fixing the dollar rose to DM 2.5035 from DM 2.4645, its highest fixing level since September 1976. This was despite some $87m sold by the Bundesbank, itself the largest amount traded since May. Elsewhere sterling was higher at DM 4.5590 from DM 4.5480 on Friday while the Swiss franc *eased to DM 1.1497 from* DM 1.1525. The dollar closed at its best level of the day at DM 2.5167½.

ITALIAN LIRA — Strongest *member of the EMS since last* week, the lira has been helped by the imposition of exchange controls and currency inflows associated with the tourist season. *As with other currencies however* it remains very weak against the dollar—The lira fell to a record low against the dollar in Milan yesterday. The dollar rose to L1,240.45 at the fixing well up from Friday's figure of L1,224.2 and there appeared to be growing concern that the strength of the dollar was likely to have an increasing effect on the cost of oil imports and raw materials. Italy's wholesale price index rose 1 per cent in June, giving a year on year rate of 17.5 per cent. Elsewhere the D-mark was lower at L495.75 against L496.47 and sterling eased to L2,257.7 from L2,269.9.

THE POUND SPOT AND FORWARD

Aug 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7970-1.8260	1.8000-1.8010	0.82-0.92c dis	−5.80	2.07-2.17dis	−4.71
Canada	2.2330-2.2580	2.2355-2.2365	1.70-1.80c dis	−9.39	4.25-4.45dis	−7.78
Nethlnd.	5.03-5.08	5.04-5.05	⅝c pm-⅛ dis	0.30	1⅛-⅞ pm	0.69
Belgium	74.20-74.90	74.25-74.35	60-70c dis	−10.50	108-118 dis	−6.08
Denmark	14.29-14.38	14.30-14.32	3¾-5¼ore dis	−3.93	12¾-14 dis	−3.67
Ireland	1.2450-1.2530	1.2460-1.2480	0.27-0.39p dis	−3.18	0.77-1.01dis	−2.85
W. Ger.	4.54-4.58	4.54½-4.55½	1-½pf pm	1.98	2⅝-1⅞ pm	1.87
Portugal	119.10-121.00	119.35-119.65	55-120c dis	−8.79	150-305 dis	−7.62
Spain	179.30-182.30	179.50-179.80	45-75c dis	−4.01	195-220 dis	−4.62
Italy	2,242-2,264	2,243-2,245	26½-30½lire dis	−15.78	84½-87½dis	−15.33
Norway	11.21-11.35	11.22-11.24	1½ore pm-¼ dis	0.47	2⅛-1⅛ pm	0.33
France	10.77-10.83	10.80-10.81	7½-8½c dis	−8.88	19¾-20¾ dis	−7.50
Sweden	9.57-9.68	9.57-9.59	1-2ore dis	−1.88	¼-1¼ dis	0.26
Japan*	440-448	441½-442½	3.15-2.85y pm	8.14	8.10-7.80 pm	7.19
Austria	31.90-32.20	31.95-32.00	8½-3½gro pm	2.25	18-8 pm	1.63
Switz.	*3.94-3.98*	*3.95⅛-3.96⅛*	*2⅛-1¾c pm*	*6.06*	*5½-5 pm*	*5.31*

Belgian rate is for convertible francs. Financial franc 75.85-75.95. Six-month forward dollar 4.05-4.15c dis. 12-month 6.05-6.20c dis.

* Japan July 31 442-443 (close).

THE DOLLAR SPOT AND FORWARD

Aug 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7970-1.8260	1.8000-1.8010	0.82-0.92c dis	−5.80	2.07-2.17dis	−4.71
Ireland†	1.4425-1.4625	1.4425-1.4445	0.24-0.34c dis	−2.39	0.50-0.70dis	−1.65
Canada	1.2368-1.2412	1.2408-1.2411	0.21-0.26c dis	−2.27	0.75-0.80dis	−2.49
Nethlnd.	2.7700-2.7960	2.7930-2.7960	1.47-1.37c pm	6.11	4.00-3.90 pm	5.67
Belgium	40.90-41.29	41.27-41.29	10-25c dis	−5.10	10-25 dis	−1.70
Denmark	7.8500-7.9450	7.9350-7.9450	1.10-0.85ore pm	1.48	1.50-1.00 pm	0.63
W. Ger.	2.4910-2.5330	2.5255-2.5265	1.60-1.54pf pm	7.46	4.01-3.95 pm	6.30
Portugal	66.10-66.50	66.30-66.50	5-35c dis	−3.61	15-95 dis	−3.31
Spain	*99.75-100.10*	*100.00-100.10*	*20c pm-par*	*1.20*	*10pm-15dis*	*−0.10*
Italy	1,238-1,253	1,250-1,253	9½-11lire dis	−9.66	30-33 dis	−10.10
Norway	6.1980-6.2450	6.2350-6.2450	2.70-2.20ore pm	4.72	7.60-7.10 pm	4.72
France	5.9000-6.0100	6.0025-6.0075	1½-2c dis	−3.51	4-4¾ dis	−2.93
Sweden	5.2800-5.3250	5.3125-5.3225	1.60-1.40ore pm	3.39	5.40-5.20 pm	3.99
Japan	243.00-245.75	245.35-245.45	2.75-2.60y pm	13.08	7.10-6.95 pm	11.45
Austria	17.60-17.67½	17.67-17.67½	11.70-10.20gro pm	7.43	28¼-24¼ pm	5.94
Switz.	2.1610-2.2030	2.1965-2.1975	2.13-2.03c pm	11.36	5.32-5.22 pm	9.53

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Aug. 3	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.5	−32.4
U.S. dollar	114.8	+8.0
Canadian dollar	86.6	−19.2
Austrian schilling	110.9	+22.6
Belgian franc	104.5	+8.6
Danish kroner	84.7	−11.5
Deutsche mark	115.6	+37.5
Swiss franc	135.2	+80.0
Guilder	107.5	+14.5
French franc	82.2	−12.1
Lira	57.3	−55.7
Yen	134.2	+28.3

Based on trade weighted changes from Washington agreement December 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 31	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.607344	0.552238
U.S. $	14	1.12723	1.02302
Canadian $	20.54	1.39202	1.26300
Austria Sch.	6¾	19.5169	17.7085
Belgian F	13	45.5091	41.3326
Danish K	11	8.72758	7.92943
D mark	7½	2.77808	2.52297
Guilder	9	3.08525	2.80195
French Fr	9½	6.59655	5.98467
Lira	19	1380.01	1252.43
Yen	6¼	269.915	245.116
Norwgn. Kr.	9	6.92006	6.27879
Spanish Pta	8	111.091	100.972
Swedish Kr.	12	5.89372	5.35214
Swiss Fr	3	2.41024	2.19354
Greek Dr'ch.	20½	—	61.6076

OTHER CURRENCIES

Aug. 3	£	$		£ Note Rates
Argentina Peso	8811-8831†	4877-4897†	Austria	31.80-32.15
Australia Dollar	1.5970-1.6010	0.8870-0.8875	Belgium	79.20-80.00
Brazil Cruzeiro	174.90-175.90	96.40-96.58	Denmark	14.23-14.38
Finland Markka	8.328-8.339	4.6160-4.6180	France	10.72-10.85
Greek Drachma	108.879-112.263	61.05-61.25	Germany	4.54-4.57
Hong Kong Dollar	10.563-10.573	5.85-5.86	Italy	2225-2280
Iran Rial	151.70*	81.75*	Japan	445-450
Kuwait Dinar (KD)	0.515-0.521	0.2849-0.2855	Netherlands	5.04-5.07½
Luxembourg Fr.	74.25-74.35	41.27-41.29	Norway	11.24-11.36
Malaysia Dollar	4.290-4.296	2.3700-2.3750	Portugal	119-126
New Zealand Dlr.	2.1935-2.1985	1.2210-1.2220	Spain	177-184½
Saudi Arab. Riyal	6.19-6.25	3.4120-3.4150	Sweden	9.58-9.68
Singapore Dollar	3.9350-3.9410	2.1740-2.1760	Switzerland	3.93½-3.97½
Sth. African Rand	1.7250-1.7265	0.9580-0.9590	United States	1.81½-1.83
U.A.E. Dirham	6.67-6.73	3.6700-3.6750	Yugoslavia	70½-75½

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 13,164-13,224 and for the dollar 7,250-7,300. *Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU August 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.2991	+1.23	+1.32	±1.5361
Danish Krone	7.91917	7.93878	+0.25	+0.34	±1.6413
German D-Mark	2.54502	2.52346	−0.85	−0.76	±1.1386
French Franc	5.99526	5.98231	−0.22	−0.13	±1.3638
Dutch Guilder	2.81318	2.80014	−0.46	−0.37	±1.5159
Irish Punt	0.685145	0.691716	+0.96	+1.05	±1.6688
Italian Lira	1262.92	1250.39	−0.99	−0.93	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Aug. 3	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.801	4.550	442.0	10.805	3.958	5.045	2244.	2.236	74.30
U.S. Dollar	0.555	1.	2.527	245.5	6.001	2.198	2.802	1246.	1.242	41.27
Deutschemark	0.220	0.396	1.	97.14	2.375	0.870	1.109	493.2	0.491	16.33
Japanese Yen 1,000	2.262	4.074	10.29	1000.	24.45	8.954	11.41	5077.	5.059	168.1
French Franc 10	0.925	1.666	4.211	409.1	10.	3.663	4.669	2077.	2.069	68.76
Swiss Franc	0.253	0.455	1.150	111.7	2.730	1.	1.275	567.0	0.565	18.77
Dutch Guilder	0.198	0.357	0.902	87.61	2.142	0.784	1	444.8	0.443	14.73
Italian Lira 1,000	0.446	0.802	2.028	197.0	4.816	1.764	2.248	1000.	0.996	33.11
Canadian Dollar	0.447	0.805	2.035	197.7	4.832	1.770	2.256	1004.	1.	33.23
Belgian Franc 100	1.346	2.423	6.124	594.9	14.54	5.326	6.790	3020.	3.009	100

FT LONDON INTERBANK FIXING (11.00 a.m. AUGUST 3)

3 months U.S. dollars		6 months U.S. dollars	
bid 18 15/16	offer 18 15/16	bid 18 15/16	offer 18 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Aug. 3	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	12½-13	18⅛-18⅜	21½-22½	13⅝-13⅞	3-3¼	11⅛-11½	19-20	18-22	16⅞-18⅝	5½-6
7 days' notice	13¼-13½	18¼-18½	21½-22½	13⅝-13⅞	2¾-3¼	11⅝-11⅞	19-20	25½-29½	16-25½	6⅛-6⅜
Month	14-14 1/16	18¾-19	21½-21⅞	13½-13⅝	8 3/16-8 7/16	12 1/16-12 3/16	21¾-22	28¾-30¼	22⅝-23⅛	6¾-7
Three months	14 1/16-14 3/16	18¾-19	21-21⅜	13⅛-13¼	9⅛-9¼	12 1/16-12⅛	21⅝-21⅞	30¼-31¾	20⅜-20⅞	7⅛-7⅜
Six months	14⅝-14⅞	18¾-19	20¾-21⅛	13¾-13⅞	9⅝-9¾	12 1/16-12 3/16	21¼-21½	30-31	19½-20	7⅜-7⅝
One Year	14½-14⅝	17⅝-17⅞	19½-19⅞	12⅝-12¾	9⅛-9¼	12⅜-12½	20½-20¾	28-29	18-18½	8-8¼

SDR linked deposits: one-month 15 13/16-16 1/16 per cent; three-months 15 15/16 per cent; six-months 15 13/16-16 1/16 per cent; one-year 15¼-15⅝ per cent.

ECU linked deposits: one-month 16⅛-16⅜ per cent; three-months 16 7/16-16 11/16 per cent; six-months 16 7/16-16 11/16 per cent; one-year 16-16⅜ per cent.

Asian $ (closing rates in Singapore): one-month 18¾-19 per cent; three-months 18¾-19 per cent; six-months 18¾-19 per cent; one-year 17 11/16-17 13/16 per cent. Long-term Eurodollar two-years 16¾-17 per cent; three-years 16⅝-16⅞ per cent; four-years 16½-16¾ per cent; five-years 16½-16¾ per cent; nominal closing rates.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 18.55-18.65 per cent; three-months 18.55-18.65 per cent; six-months 18.50-18.60 per cent; one-year 17.30-17.40 per cent.

MONEY MARKETS

Moderate help

Bank of England Minimum Lending Rate 12 per cent (since March 10 1981)

The Bank of England gave a moderate amount of assistance to discount houses in the London money market yesterday to relieve a shortage of day-to-day credit. The bank bought outright, small amounts of Treasury bills, local authority bills and eligible bank bills all direct from the houses. Treasury and local *authority bills maturing* in up to 14 days had a discount rate of 12⅞ per cent and eligible bank bills maturing up to 14 days, 12¾-12⅞ per cent. Those bank bills which *mature in 15 to 28 days* were discounted at 13¼ per cent. There was no further assistance given by the Bank during the afternoon.

The market was faced with the unwinding of a previous sale and repurchase agreement involving a moderate number of bills as well as a moderate amount of commercial bills *maturing in officials hands*. In addition there was a small excess of revenue transfers to the Exchequer over Government disbursements. On the other hand banks brought forward balances a large way above target. Discount houses were paying up to 12½ per cent for secured call loans although balances later in the day were taken down to 11¾ per cent.

In the interbank market overnight money opened at 12¾-13 per cent and eased to 12½-12¾ per cent. It dipped briefly to 11¾-12 per cent in early afternoon but came back to close at 12-12¼ per cent. Period rates were slightly firmer.

In Paris call money was cut to 17⅜ per cent from 17⅝ per cent, *making the fifth consecutive* trading day on which the rate has been reduced. At the same time a number of major French banks reduced their prime rates to 15.3 per cent from 15.6 per cent. This was much in line with market expectations and was merely a reflection of the recent lower trend in money rates. The lower trend has been effected without causing any damage to the French franc for although it is very weak against the dollar it remains steady against the D-mark and other *EMS* currencies.

In Brussels the Belgian National Bank cut the rate on short term Treasury bills. One and two month bills were cut by 0.5 per cent to 15.25 per cent and 15.50 per cent respectively and the three-month rate fell by 0.25 per cent to 16 per cent.

GOLD

Sharp fall

Gold fell $14 an ounce in the London bullion market yesterday to close at $391-393. It opened at $395-397 having fallen below the $400 in the Far East. It steadied at around this level, its worst since November 1979, as the lower price attracted good two-way business. However there seemed little scope for any sustained recovery as long as the dollar continued to rise in the foreign exchange market.

In Paris the 12½ kilo bar was fixed *at FFr 88,000 per kilo* ($460.67 per ounce) in the afternoon compared with FFr 88,000 ($462.73) in the morning.

In Frankfurt the 12½ kilo bar was fixed at DM 31,685 per kilo ($393.99 per ounce) against DM 32,230 ($406.97) previously and closed at $391-393 from $405-407.

	Aug. 3		July 31	
Gold Bullion (fine ounce)				
Close	$391-393	(£216-217)	$405-407	(£218½-219½)
Opening	$395-397	(£215-216)	$404½-406½	(£217-218)
Morning fixing	$392.50	(£215.517)	$405.25	(£217.900)
Afternoon fixing	$392.50	(£216.194)	$406	(£219.104)
Gold Coins				
Krugerrand	$402½-403½	(£223½-224)	$418-419	(£226¼-226¾)
1/2 Krugerrand	$207¼-208¼	(£115-115½)	$215½-216½	(£116½-117)
1/4 Krugerrand	$105½-106½	(£58½-59)	$109¾-110¾	(£59½-60)
1/10 Krugerrand	$43-44	(£23¾-24½)	$45-46	(£24¼-24¾)
Mapleleaf	$398½-401½	(£221¼-223)	$414½-417½	(£224¼-226)
New Sovereigns	$97¾-98¼	(£54¼-54½)	$101½-102¼	(£55-55½)
King Sovereigns	$111-113	(£61-62)	$113-115	(£60½-61½)
Victoria Sovs	$111-113	(£61-62)	$113-115	(£60½-61½)
French 20s	$113-118	(£62¾-65½)	$114-120	(£61¾-65)
50 pesos Mexico	$486-489	(£269¾-271½)	$505-508	(£273¼-275)
100 Cor. Austria	$377-381	(£209¼-211½)	$392-396	(£212-214¼)
$20 Eagles	$540-545	(£299¾-302½)	$548-553	(£296½-299¼)

LONDON MONEY RATES

Aug. 3 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	11¾-13	12½-13⅛	—	—	12⅝-13	11¾-12½	—	—	—
2 days notice	—	—	13½-13⅝	—	—	13½-13⅝	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅞-13⅜	13¾-14	—	13½	—	12½-12⅝	—	—	—
One month	14 3/16-14 5/16	14⅛-14⅜	14¼	14⅞-14½	14½	14⅛-14¾	13-13¼	13 9/16	13 9/16	14 3/16
Two months	14 3/16-14 5/16	14 3/16-14⅜	—	15-14⅝	14⅞	14¾	13⅝	13 21/32-13⅞	13¾-14	14 5/16
Three months	14½-14 5/16	14 5/16-14¾	14⅝	15-14⅝	14 5/16	14⅞-15	13⅝	13 25/32-13⅞	13 15/16-13 31/32	14 5/16
Six months	14⅜ 14½	14 7/16-14¾	14⅝	14-13⅝	15	—	—	—	13¾	14⅝
Nine months	*14⅜-14½*	14⅜-14⅝	—	*15-14⅝*	15	—	—	—	—	—
One year	14⅜-14 5/16	14⅜-14⅝	14⅝	14¾-14⅝	15	—	—	—	—	—
Two years	—	—	14¾	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three-years 14⅞ per cent; four-years 15 per cent; five-years 15 per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 13 13/16 per cent, four-months trade bills 14 11/16 per cent.

Approximate selling rate for one-month Treasury bills 13 7/16 per cent; two-months 13 21/32-13 23/32 per cent; three-months 13 25/32 per cent. Approximate selling rate for one-month bank bills 13 9/16-13 11/16 per cent; two-months 13 27/32-13⅞ per cent; three-months 13 15/16-13⅞ per cent; one-month trade bills 14 5/16 per cent; two-months 14 7/16 per cent; and three-months 14 7/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13½ per cent from August 1 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. *Treasury Bills: Average tender rates of discount 13.8014 per cent.*

MONEY RATES

NEW YORK	
Prime rate	20½
Fed funds	18⅞-18⅞
Treasury bills (13-week)	15.09
Treasury bills (26-week)	15.12
GERMANY	
Special Lombard	12.0
Overnight rate	12.00
One month	12.80
Three months	13.00
Six months	12.95
FRANCE	
Intervention rate	17.5
Overnight rate	17.625
One month	17.0
Three months	17.0
Six months	16.375
JAPAN	
Discount rate	6.25
Call (unconditional)	7.4375
Bill discount (three-month)	*7.53125*

Mobil lifts bid to $8.6bn to stay in Conoco race

BY PAUL BETTS IN NEW YORK

MOBIL, the major integrated oil company, substantially raised its bid for Conoco yesterday, offering $115 a share for just over 50 per cent of Conoco stock in an attempt to stay in the takeover race for the country's ninth largest oil company.

The company yesterday said it was increasing the cash portion of its offer for just over 50 per cent of Conoco from $105 to $115 a share. But Mobil did not change the second part of its offer involving the exchange of Mobil securities with a guaranteed market value of $85 a share for all remaining Conoco stock.

Mobil said yesterday its new bid, worth a total $8.6bn, involved an average offer of $100 a share for all Conoco outstanding stock. This is far higher than the other two rival bids by Seagram of Canada and Du Pont, the leading U.S. chemicals company.

Seagram, which has already started paying cash for all shares tendered to it, is offering $92 a share for 51 per cent of Conoco. At the latest count, Seagram had bought 15.5m Conoco shares or the equivalent of more than 17 per cent of outstanding stock of about 87m shares.

Du Pont, so far believed to be in the lead in the bid battle, is offering $95 a share for 45 per cent of Conoco and 1.7 Du Pont shares for each remaining Conoco share.

Mobil's decision to raise its bid to $8.6bn reflects the oil company's growing concern that it is losing the race.

Seagram has already been cleared by the U.S. Justice Department while Du Pont is expected to be in a position later this week to start paying cash for shares tendered in its offer, which is no longer conditional on a minimum of 51 per cent of shares tendered, but on a minimum of 41 per cent of all Conoco shares.

But the Justice Department has asked Mobil to supply additional information on its Conoco takeover proposal which would create the world's second largest oil company after Exxon.

Mobil has repeatedly claimed that its takeover proposal did not raise any anti-trust problems. In a statement yesterday the oil company said a special task force had worked over the weekend to prepare the additional material requested by the Justice Department. Mobil expects to submit this material shortly and that "The Justice Department would be in a position to permit Mobil to go forward with its purchase of Conoco shares on an expedited basis as was done for Du Pont."

But Mobil added that it had raised its "already superior offer in recognition of the fact that a Conoco shareholder will now have to wait longer for payment if he tenders to Mobil."

At the same time, Du Pont said yesterday it was studying Mobil's latest offer and was "considering a response which it will issue by early tomorrow."

At the latest count, Du Pont had been tendered about 56 per cent of Conoco shares. Seagram already owns about 17 per cent, and Mobil, before its latest offer, was believed to have been tendered only about 3 per cent.

Fixed rate Eurobonds tumble

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

HEAVY FALLS in the U.S. domestic bond market undermined market sentiment for Eurobonds yesterday and fixed rate issues fell by up to ½ points.

Nervousness about the large U.S. Treasury refinancing operation which gets under way this week prompted the declines. There was little investor selling of Eurobonds but dealers marked prices down in line with the trend across the Atlantic.

Transamerica Finance, meanwhile, has jumped aboard the deep discount bandwagon in the Euromarkets. It is floating a $75m, five-year, 7 per cent issue at a price of 72 per cent through Morgan Guaranty.

Each bond comes with two warrants attached, allowing the holder to buy into a separate series of zero coupon, 10-year bonds priced to yield 15¼ per cent. As with the recent CitiCorp issue, this allows investors to lock into high yields for a relatively low cash outlay.

Continental bond markets were less affected by the sharp rise of the dollar on the foreign exchanges yesterday than has sometimes been the case in the past. D-Mark bonds were about unchanged and Swiss franc issues closed mixed.

Swiss bankers noted continuing demand from local investors for better quality names. This has allowed the SwFr 100m, 10-year issue for Hydro Quebec to be priced at par with a coupon of only 7 per cent. Indicated terms allowed for a 7¼ per cent coupon.

The next issue in this market will be SwFr 100m for Eldorado Nuclear of Canada, which also announced plans to float a $100m issue in the Yankee market later this year.

Eldorado carries an implicit Canadian guarantee but is less familiar to Swiss investors than Hydro Quebec and the issue is now thought likely to bear a coupon of around 7¼ per cent.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday August 13. Closing prices on August 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15¼ 86 (WW)	55	95⅞	96⅜	0	−1	16.30
Amoco 13¼ 88	75	89⅞	90⅜	−0⅛	−0⅞	15.73
CIBC 14½ 84	185	96⅛	96⅝	−0⅛	−0⅛	16.11
CIBC 15⅛ 86	75	98½	99	−0⅛	−0⅞	15.61
CNA 15¼ 96	75	95⅛	95⅝	−0⅛	−0⅜	16.05
CNE 12⅞ 91	100	84⅝	84⅞	−0⅛	−1⅜	15.95
Citicorp Int. Fin. 15 86	150	96⅛	96⅝	−0⅛	−2	16.07
Citicorp O/S 15½ 84	175	98⅞	99⅜	−0⅛	−1⅛	15.84
Dupont Canada 13½ 91	65	90⅞	91⅜	−0⅛	−1⅜	15.28
EEC 14⅛ 93	65	94	94½	−0⅛	−1	15.82
EIB 12¾ 89	75	85⅜	85⅞	−0⅛	−1⅛	16.00
Eldorado 13⅛ 86	50	91½	92	−0⅛	−0⅛	15.83
Elec. de France 13 88	125	88⅛	88⅝	−0½	−1½	15.95
Export Dv. Cpn. 8½ 86	150	80⅝	81⅛	0	−0⅛	15.74
Fed. Bs. D. 12¼ 85 (N)	50	88⅜	89⅛	−0⅛	−0⅞	15.97
Fed. Bs. D. 15¾ 84 (J)	40	99	99½	−0⅛	−0⅛	16.04
Fin. Exp. Credit 10½ 85	50	83⅝	84⅛	−0⅛	−0⅜	16.38
Finland, Rep. of 8½ 86	100	79⅛	79⅝	+0⅛	−0⅛	16.07
Ford Cr. O/S Fin. 16 84	150	99⅛	99⅝	−0⅛	−1	16.10
Ford Cr. O/S Fin. 16 85	150	96⅞	97⅜	−0⅛	−0⅞	17.03
Gaz de France 13½ 88	80	91⅞	92⅜	−0⅛	−1⅛	16.02
GMAC O/S Fin. 12⅞ 88	100	88	88½	−0⅛	−1	15.84
GMAC O/S Fin. 14¾ 87	100	94⅝	95⅛	−0⅛	−0⅜	16.10
Gen. Mts. O/S 11⅛ 87	100	84⅝	85⅛	−0⅛	−0½	15.63
Genstar 14⅛ 91	50	96⅜	96⅞	−0⅛	−0⅛	15.40
GTE Fin. 13¾ 86 (WW)	50	96½	97	+0⅛	+1½	14.72
Hiram Walker 16 86	50	102¼	102¾	−0⅛	−0⅛	15.18
IBM Wld. Trade 12½ 86	200	93⅜	93⅞	0	−0⅛	14.01
IBM Wld. Trade 14¾ 84	100	101⅛	101⅝	+0⅛	+1	14.08
Nat. Bk. Canada 15¾ 84	40	97⅝	98⅛	−0⅛	−0⅞	16.17
Newfoundland 13½ 90	60	88⅜	88⅞	−0⅛	−0⅞	15.74
Nova Scotia 15 91	75	95⅜	95⅞	−0⅛	−0⅜	15.83
Ontario Hydro 13½ 91	100	90⅝	91⅛	−0⅛	−0½	15.34
Queb. Hy. 13 91 (WW)	100	84⅛	84⅝	−0⅛	−0½	16.23
Royal Bk. Canada 14 86	100	95¾	96¼	−0⅛	−1	15.03
SNCF 13 91	75	87⅜	87⅞	−0⅛	−1⅛	15.47
Sth. California 14 87	50	94⅝	95⅛	−0⅛	−0⅜	15.29
Sth. California 14⅞ 88	50	97⅛	97⅝	−0⅛	−0⅛	15.37
Sven Handlsbk. 13¾ 88	45	90⅜	90⅞	−0⅛	−0⅜	16.01
Swed. Ex. Credit 13 86	75	89½	90	−0⅛	−0⅛	16.34
Swed. Ex. Cred. 15¼ 86	50	98⅜	98⅞	−0⅛	−0⅛	16.06
Toronto-Dom. Bk. 14 84	50	95⅛	95⅝	−0⅛	−1	16.14
Tribune O/S Fin. 14 86	50	92⅝	93⅛	−0⅛	−1⅛	16.24
Wells Fargo Int. 15½ 84	50	99⅝	100⅛	−0⅛	−0½	15.44
World Bank 10⅛ 87	300	79⅞	80⅜	−0⅛	−0½	15.65
World Bank 14⅛ 86	500	94⅜	95⅛	−0½	−1	15.89

Average price changes .. On day −0⅛ on week −0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	97⅞	98⅜	−0½	0	10.36
Austria, Rep. of 8¼ 92	150	87⅛	87⅝	−0⅛	−0⅜	10.17
CECA 7⅞ 92	150	86	86½	+0¼	+0¼	9.98
CECA 10 91	120	98⅛	98⅝	−0⅛	−0⅛	10.11
CII-Honeywell 8⅞ 90	125	87⅝	88⅛	−0⅛	−0½	10.56
Council of Europe 10 91	100	99½	100	+0⅛	+0⅛	10.05
EIB 8½ 90	200	88½	89¼	0	−0⅜	10.43
EIB 10½ 91	200	99⅞	100⅜	0	−0½	10.44
ECCOM 9¼ 87	100	90⅝	91	−0⅛	−0⅛	11.41
Finland, Rep. of 10 89	100	96½	97¼	+0⅛	−0⅛	10.59
Iberduero SA 9 90	100	90½	91¼	0	+1⅛	10.62
Ind. Bk. Finland 8½ 90	50	88¾	89½	0	0	10.37
Int.-Am. Dv. Bk. 10 91	100	98⅛	98⅞	0	+0½	10.23
Japan Air Lines 8⅛ 87	100	91½	92¼	−0⅛	−0⅛	9.91
Japan Dev. Bk. 7⅜ 87	100	88½	89⅛	0	+0⅛	10.16
Kobe City of 8 90	100	88⅞	89⅜	0	+0⅛	9.86
Midland Int. Fin. 8½ 90	180	89¾	90½	−0⅛	−0⅛	10.19
Nuclebras 9¼ 88	100	88	88⅝	+0⅛	−1	12.28
OKB 8¼ 92	150	85⅜	86⅛	+0⅛	−1⅛	10.46
Oslo, City of 8⅜ 90	80	92¾	93½	+0⅛	+0½	9.96
Venezuela, R. of 9¼ 90	150	93⅞	94⅜	−0⅛	+0½	10.79
World Bank 8 90	700	85⅜	86⅛	0	+0⅛	10.48
World Bank 10 86	150	100⅜	100⅞	0	+0⅜	9.84

Average price changes.. On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	†93	93½	−1⅛	−2½	7.61
BFCE 6½ 91	100	†93	93½	0	+0⅛	7.51
Bayer Int. Fin 5¼ 92	100	91½	91¾	−0½	−1⅛	6.32
Bergen, City of 6½ 91	40	†99	100	0	−0⅛	6.82
Brmn.-Tettarode 7 90	40	98	98¼	+0⅛	−0⅛	7.13
CECA 6¾ 91	80	97½	98	+0⅛	0	7.05
Denmark 5⅞ 90	80	87½	87¾	−0⅛	−0⅛	7.72
Dome Petroleum 5½ 91	100	93½	94	−0⅛	−0⅛	6.65
Elec. de France 5⅛ 90	100	88	88½	−0⅛	−1⅛	7.03
Eurofima 5⅜ 92	80	†98½	99	0	0	5.90
F. G. H. Hypo. Bk. 6 90	50	91⅛	91⅝	+0⅛	−0⅛	7.33
Finland, Rep. of 5⅞ 90	80	86½	86¾	−0⅛	−0⅛	7.73
Franc. Petroles 6½ 91	80	†93	93½	−0⅛	−3	7.50
Genstar 7 91	100	102⅜	103¼	+0⅛	+0⅛	6.67
Int.-Amer. Dv. Bk. 7 91	100	98⅞	99⅜	0	+0½	7.14
Japan Dev. Bank 5¾ 90	100	94¼	94½	−0⅛	+0½	6.58
Mt. Blanc Tunnel 5½ 90	60	86⅜	86⅞	−0⅛	−1½	7.57
Newag 5¾ 90	80	91	91⅜	−0⅛	−0⅛	7.13
OKB 7 93	100	†99½	100	−0⅛	−0⅛	7.03
Oslo, City of 5⅞ 90	80	†92½	93	−0⅛	+0⅛	6.98
Philips Lamps 6⅛ 92	100	87⅛	88	0	+0⅛	5.95
Swed. Ex. Cred. 7¼ 91	75	*98⅛	98⅝	+0⅛	+0⅛	7.48
Trade Dev. Fin. 6⅛ 90	50	†88½	88⅞	−0⅛	−1⅛	7.82
Voest-Alpine 5⅜ 90	80	88½	89⅛	+0⅛	−1	7.51
World Bank 6 91	100	92½	92¾	−0⅛	−0½	7.06
World Bank 7 90	100	100⅛	100½	0	0	6.93

Average price changes... On day −0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¼ 91	15	97	98	+0⅛	+0⅛	8.63
Australia 6⅛ 88	20	85⅜	86⅛	+0⅛	0	9.40
EIB 7¾ 89	12	92	93¼	0	0	9.07
Finland 6.8 88	10	84⅞	85⅛	0	−0⅛	9.81
Finland, Rep. of 8⅛ 87	15	97	98	+0⅛	0	8.93
New Zealand 8⅛ 87	15	97	98	−0⅛	−0⅛	8.93

Average price changes .. On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¼ 86 C$	60	85⅜	86⅛	−0⅛	−1⅛	14.76
CIBC 13½ 85 C$	50	†91	92	−1⅛	−2⅛	16.64
CIBC 11½ 85 C$	60	83½	84⅛	−3⅛	−3⅛	17.47
Federal Dev. 11½ 90 C$	60	†77	78	0	−1	16.47
Fst. Can. Inv. 10 84 C$	50	†83	84	0	−0⅛	17.98
R. Bk. Canada 10 86 C$	40	87½	88¼	−0⅛	−0⅛	13.58
Toronto Cdn. 13½ 85 C$	30	†91	92	0	−1½	16.64
M. Bk. Dnmk. 9 91 EUA	25	†86½	87	−1	−0⅛	11.31
SOFTE 8¾ 89 EUA	40	†84½	86	−1	−1⅛	11.19
U. Bk. Nwy. 9½ 90 EUA	18	†91	92½	0	−1¼	11.01
Algemene Bk. 10¼ 86 Fl	60	†94⅜	94⅞	0	0	11.79
Amro Bank 12 86 Fl	75	100¼	100¾	0	−0⅛	11.84
Heineken NV 10 87 Fl	100	*94¼	94¾	+0⅛	−0⅛	11.31
Nat. Nedrlndn. 10 88 Fl	80	94½	95	+0⅛	−0⅛	11.15
Ned. Midd. Bk. 10 85 Fl	75	94	94½	−0⅛	−0⅛	11.82
Pierson 10¼ 86 Fl	50	92¾	93¼	+0⅛	−0⅛	12.30
Rabobank 12 86 Fl	50	100¾	101¼	+0⅛	+0⅛	11.70
Air France 14½ 86 FFr	200	91⅞	92⅞	−0⅛	−0⅛	18.90
Bk. America 14½ 86 FFr	250	89⅞	90⅞	−0⅛	−0⅛	17.58
Charb'nages 13⅞ 85 FFr	400	88⅞	89⅞	−0⅛	−0½	17.46
EIB 14⅛ 88 FFr	300	87⅛	88⅛	−0⅛	−0⅛	17.40
La Redoute 14⅛ 85 FFr	125	86⅛	87⅛	−0⅛	0	18.93
OKB 14 86 FFr	400	90¼	91¼	0	−0⅛	17.00
Solvay et C. 14⅛ 86 FFr	200	94⅜	95⅜	−0½	−0⅛	16.25
Swed. E. Cr. 14⅛ 86 FFr	250	87½	88½	−0½	−0⅛	18.59
U. Mex. Sts. 14 85 FFr	150	89	90	−0½	−0⅛	17.96
Acona 14 85 £	20	92¾	93¼	−0¼	−0⅛	16.21
Beneficial 14¼ 90 £	20	84⅛	84⅞	+0⅛	+0⅛	17.70
BNP 13½ 91 £	15	86¼	87	0	−0⅛	16.32
CECA 13½ 88 £	20	88⅜	89⅛	0	−0⅞	16.14
Cincorp O/S 13½ 90 £	50	91⅞	92⅝	+0⅛	−0⅛	15.13
Fin. Ex. Cred. 13¾ 86 £	15	91¼	92½	+0⅛	+0⅛	16.21
Gen. Elec. Co. 12½ 89 £	50	85¾	86½	0	−0⅛	15.70
Hiram Walker 14¼ 86 £	25	93½	94¼	+0⅛	−0⅛	16.14
Privatbanken 14½ 88 £	12	89⅜	90⅛	+0⅛	−0½	17.05
Rothschild 14⅛ 90 £	12	92⅞	93⅝	+0⅛	−0⅛	15.69
Royal Trustco 14 86 £	12	93	93¾	0	−0⅛	16.07
Swed. Ex. Cr. 13¾ 86 £	20	92⅛	92⅞	−0⅛	−0⅛	16.10
Akzo 9⅛ 87 LuxFr	500	90	91	0	0	11.44
Euratom 9⅜ 88 LuxFr	500	84½	85½	+0⅛	+0⅛	13.33
Eurofima 10½ 87 LuxFr	500	89⅞	90⅞	0	−0⅛	12.81
EIB 9¼ 88 LuxFr	600	85⅛	86⅛	−0⅛	0	13.08
Volvo 9⅜ 87 LuxFr	500	85⅞	86⅞	−0½	+0⅛	13.01

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	98	98½	18/12	16⅛	17.05
BBL Int. 5 86	0¼	99⅛	99⅝	20/11	18.31	18.43
BNP 5½ 88	‡0⅛	99⅛	99⅝	29/10	18.81	18.91
Christiania Bk. 5½ 91	‡0¼	98¼	98¾	5/8	17.31	17.58
Citicorp O/S Fin. 84	‡0	99	99½	31/8	18⅞	19.02
C. Itoh 5¼ 87	0¼	98¾	99¼	18/9	15.44	15.59
Co-operative Bk. 6 88	0¼	99⅜	99⅞	15/11	19.56	19.64
Den Norske Credit 6 90	‡0¼	†98⅛	98⅝	5/8	17.31	17.60
Genfinance 5¼ 87	0¼	98¾	99¼	30/10	16.94	17.11
Genfinance 5¼ 92	0¼	98⅝	99⅛	30/12	18.31	18.50
Giro und Bank 5¾ 91	‡0¼	98⅞	99⅜	23/9	19.06	19.26
GZB 5¼ 92	‡0¼	97⅞	98⅜	5/8	17⅛	17.60
Ind. Bank Japan 5¼ 88	0¼	98⅞	99⅜	9/10	16.44	16.58
Lloyds Eurofin 8 90 £	0¼	97¼	97¾	6/1	13⅝	13.97
Lloyds Eurofin 5¼ 92	0¼	98½	99	4/12	17.44	17.06
LTCB Japan 5¼ 88	0¼	99	99½	13/12	17¼	17.38
Man. Hanov. O/S 5¼ 94	‡0⅛	99⅜	99⅞	30/8	19.06	19.13
Merrill Lynch O/S 87	0⅛	99⅞	100⅜	7/8	20.44	20.41
Midland Int. Fin. 5¼ 92	0¼	98	98½	5/12	17⅝	17.68
Midland Int. Fin. 9 91	0¼	98⅛	98⅝	30/10	16.81	17.09
Nacional Fin. 6¼ 86	0¼	98¾	99¼	25/1	19¼	19.44
Nacional Fin. 5½ 88	0¼	96⅞	97⅜	25/9	14⅞	15.32
Nat. Bk. Canada 5¼ 88	0¼	97⅞	98⅜	24/9	14½	14.78
Nat. West. 5¼ 94	§0¼	97⅝	98⅛	14/10	16.19	16.54
Nat. West. Fin. 5¼ 91	§0¼	98⅛	98⅝	15/1	18⅛	18.42
Nat. West. Fin. 5¼ 92	§0¼	97¾	98¼	23/10	16.81	17.16
Pemex 6 91	0¼	96⅞	97⅜	8/10	15.31	15.77
Societe Generale 5¼ 91	0¼	†98⅛	98⅝	22/1	18⅝	18.91
Sparebanken 6 87	0¼	97¾	98¼	19/12	16.81	17.16
Standard Chartd. 5¼ 90	0⅛	99	99½	3/9	17.06	17.19
Svenska Hndlsbk. 5 87	0¼	98⅝	99⅛	15/1	18⅛	18.33

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5½ 96	7/81	933	94⅛	95⅛	−1½	8.59
Bow Valley Inv. 8 95	4/81	23.12	104	105½	+0⅛	18.92
Canon 6¾ 95	1/81	829	181½	182¾	−4½	0.63
Credit Suisse 4¾ 93	10/79	1236	84⅛	88½	−0⅛	5.04
Digicon Fin. 8½ 95	10/81	29.5	†99½	101	+1⅛	2.40
Fujitsu 5½ 96	7/81	732	109¼	110¼	−0⅜	6.53
Furukawa Elec. 5¼ 96	7/81	300	115¾	116¾	−1⅛	1.42
Henson O/S Fin. 9½ 96	8/81	2.74	89½	91	0	3.38
Hitachi Cred. Cpn 5 95	7/81	1968	93½	94½	−2¼	1.02
Ina Overseas 8¾ 2000	4/81	42	†104	105½	+2⅛	0.56
Inchcape 8 95	2/81	4.55	68	69½	−1⅛	11.07
Marion Int. Fin. 9 95	12/80	15.5	†79	80½	−0⅛	25.11
Marui 6 96	7/81	931	†89	91	−3½	1.26
Matsushita El. 7½ 95	11/80	590	88½	89½	−4	−1.84
Murata 5¼ 96	7/81	2190	95¾	96¾	−3¼	4.39
NKK 6½ 96	7/81	188	111	112½	−1⅛	34.33
Ricoh 6⅜ 95	8/80	604	151⅛	153½	−5⅛	0.69
Sumitomo M. Ind. 7 95	2/81	181	132	133½	−4¼	−2.12
Swiss Bk. Cpn. 6¾ 90	9/80	200	74¾	76¼	−0¼	37.42
Taylor Woodrow 8¾ 90	1/81	4.94	87¾	89	−0⅛	2.14
Transco Int 8¾ 95	2/81	68	†80½	81½	−0⅛	24.47
Tricorp 8½ 95	12/80	31.25	†81½	83	+0¼	11.75
Union Bk. Switz. 5 89	2/80	70.79	75	77	0	11.55
Sharp Cpn. 6½ 88 DM	9/80	595	196⅛	197⅝	−3¼	−2.03
Uny Co. 6½ 85 DM	11/79	879.3	110⅜	111⅜	−1	−2.94

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Burroughs agrees to take over Memorex

By Our New York Staff

BURROUGHS, THE computer group undergoing a major restructuring under its new chairman, Mr Michael Blumenthal, agreed at the weekend to take over Memorex, the financially-troubled data storage equipment manufacturer, in a $106m deal.

For Burroughs, which is seeking to improve its sagging profitability, the move appears to be a major departure from its recently-announced long-term strategy aimed at strengthening the company by pruning off unprofitable and marginal operations coupled with reducing its overall debt exposure.

This strategy was launched by Mr Blumenthal, the former U.S. Treasury Secretary who became chairman at the end of last year.

The deal with Memorex involves a cash merger whereby Burroughs will pay $14.50 a share for all outstanding Memorex stock in a transaction worth about $106m.

Last week, Storage Technology, a Colorado-based manufacturer of computer equipment, offered to acquire Memorex in an exchange of stock valued at $85.2m. The Colorado company said yesterday it did not plan to increase or renew its offer for Memorex.

Burroughs said yesterday that the merger agreement with Memorex was subject to a number of conditions, the most important being a restructuring of Memorex's long-term debt.

But Mr Blumenthal said Burroughs has already had discussions with Memorex lenders, who are led by the Bank of America, and claimed that a new credit arrangement could be worked out "relatively quickly." Memorex currently has some $225m in debts.

The Burroughs chairman also disclosed yesterday that the two companies had been discussing for several months various forms of collaboration.

But the combination took Wall Street by surprise yesterday. Although Mr Blumenthal has stressed the long term potential benefits of the merger, the takeover appears to be a major departure for Burroughs.

At the end of the last year, Burroughs announced reorganisation charges against earnings of $125m.

Memorex has been plagued by high interest charges, accumulated losses and sluggish sales for some of its key products, like low density disc drives. In the first half of this year, Memorex reported a loss of $31.5m compared with a deficit of $20.6m the year before.

The company has also been battling with its lenders. Indeed, it would be technically in default if its major bank lenders had not recently agreed to lift certain requirements in connection with a portion of the company's debts.

Burroughs last month reported earnings of $53.6m on revenues of $1.6bn for the first half of this year. Compared with the first half of 1980, this was a 51 per cent decline in earnings and a 14 per cent increase in revenues. Mr Blumenthal said at the time the company was none-the-less making progress operationally and anticipated earnings in the second half of this year to be higher than last year's levels

The Memorex deal also reflects Burrough's intention of moving into the small computer market. Traditionally associated with large computer systems, Burroughs earlier had indicated it wanted to build up a presence in the small computer market.

Gallaher slows American Brands growth

By Our Financial Staff

AMERICAN BRANDS, the U.S. tobacco group which has broadened its sales base through a string of acquisitions, primarily of consumer product companies, achieved a record net income for the first half of 1981 in spite of lower operating profits and sales.

Net income totalled $216.1m or $3.77 a share compared with $208.9m or $3.62 a share for the first half of 1980.

Sales for the first half of 1981 were $3.22bn, down from $3.25bn in 1980, and operating income $378.6m, against $405.1m last time.

Mr Edward E. Whittemore, chairman and chief executive, states that the decline in operating income is attributable to second-quarter results of Gallaher, America's UK subsidiary, which were hit by several factors. On top of the continuing general recession in Britain, tobacco product sales were affected by the imposition of an unprecedented increase in excise taxes in March. In addition, Gallaher's operating profits were translated at lower exchange rates because of a fall in the value of sterling.

David Lascelles looks at the latest U.S. merger which will create the world's most formidable grouping in finance and commodities

The Salomon-Phibro powerhouse

THE U.S. merger wave keeps rolling on. Yesterday's announcement of a tie-up between Salomon Brothers, one of Wall Street's leading lights, and Phibro, the large commodities trading company, may not match the multi-billion dollar Conoco battle in size, but it promises to be just as dramatic for its own industry—in this case the fast-changing financial services business.

Apart from giving birth to a new giant in the field with assets of over $1.5bn (compared with Merrill Lynch's $1.1bn), it will create what observers say will be the most formidable trading house in the world, combining skills in virtually all commodities, financial and physical, with a client list that includes governments and most of the biggest corporate names.

Although Salomon calls itself an investment bank, its reputation has always been strongest as a securities trading house, backed by a high-powered research department headed by the redoubtable Dr Henry Kaufman, whose smallest utterances on interest rates send tremors through the markets.

Mr John Gutfreund, the firm's managing partner, prefers a desk in the trading room to his office because he says it helps him feel the pulse of the market. Last year, Salomon traded nearly a trillion (million million) dollars in securities, mainly bonds. It also managed over $50bn in financings for its clients.

The firm is less involved than many of its competitors in mergers and acquisitions. It is about the only Wall Street firm that is not advising any of the parties in the Conoco bidding war.

Founded in 1910, Salomon arrived where it is today chiefly thanks to a period of phenomenal growth in the 1970s when it built on its trading strengths. Its payroll nearly trebled to 2,500, and at the latest count it was capitalised to the tune of $331m, which makes it the fourth largest firm on Wall Street.

Salomon is still a private partnership, something of a rarity in the upper echelons of Wall Street these days, and little is known about its inner finances. There was considerable speculation yesterday that its absorption by Phibro, a publicly-held company, might force disclosure of its profits.

Whatever happens, its 63 partners are expected to emerge from the $550m deal as extremely wealthy men, though some people suggested Salomon could have haggled for a better price, possibly as much as $100m more.

Phibro, better known under its previous name Philipp Brothers, is the world's biggest publicly-owned marketer of raw materials, catering mainly to industrial customers. Last year it turned over almost $24bn worth of commodities in 150 categories and earned $467m in revenues. Although it has been in existence for decades, it only became a free-standing company earlier this year when it was spun off by its parent, Engelhard Minerals and Chemicals, which decided that producing goods and trading commodities

Dr Henry Kaufman—concerned about bond market prospects

at the sametime did not pay dividends. Phibro, with capital of $1.2bn, is now publicly traded on the New York Stock Exchange.

The logic for the deal is the expansion of trading expertise. Unlike other big mergers in the financial services industry, such as Bache-Prudential and Shearson-American Express which aimed at creating financial service supermarkets, Phibro-Salomon (the exact name will be decided later) will deal in commodities in the widest sense, which includes money.

Mr Gutfreund said yesterday: "We tried to look at what the 1980s and 1990s held for us, and decided this was the most logical addition to our business. We could have developed it ourselves over ten years, or done it immediately, like this."

Salomon appears to have been prodded into the deal partly by fears about the long term health of the bond market. Record high interest rates have already done large segments of it to death, reducing the scope both for underwriting and trading. Also, if President Reagan's plan to cut the Government deficit works, this could result in long-term shrinkage of the treasury securities market, which is a major source of business for Salomon.

Salomon's own analysts, including Dr Kaufman, have frequently expressed concern about the bond market's long term prospects.

For its part, Phibro was interested both in Salomon's financial trading expertise, and its investment banking side which will add a new facet to its business. Mr David Tendler, Phibro's chairman, boasted yesterday: "We will be the world's leading merchant banker."

The deal comes at a time when Saloman is embroiled in a lawsuit with a former partner who is claiming the firm did him out of rightful profits from a natural gas venture in the Gulf of Mexico. The firm is also in the process of laying off some 20 salesmen. All this sparked rumours that the firm was in disarray. However, Mr Gutfreund staunchly denied this yesterday. "Our operating profits in the first ten months were at record levels," he stated.

State guarantee for Cockerill-Sambre loan

BY LARRY KLINGER IN BRUSSELS

THE BELGIAN Government will guarantee a commercial loan of BFr 5.2bn (about $140m) for its hard-pressed steel industry in the French-speaking South of the country.

The European Commission yesterday said that it had given the Belgian Government approval to guarantee the loan for Cockerill-Sambre, the recently merged steel group now 80 per cent State-owned, but only on condition that the money was used in conjunction with the group's current restructuring programme.

The Commission is trying to harmonise the EEC steel industry by eliminating all national aids by 1985 and made clear yesterday that it was not prepared to release any proposed direct aid unless the restructuring of Cockerill-Sambre was accelerated, which would have meant bringing forward planned closure of some plant.

While the loan capital is virtually certain to become part of the joint Belgium-EEC restructuring aid scheme expected to be agreed in the autumn, the Commission told the Belgian Government that the BFr 5.2bn could only be made available immediately it was secured on a commercial, interest-paying basis.

Cockerill-Sambre was formed in July by the merger of the country's two main steel concerns—the Cockerill group of Liege and Hainaut-Sambre, the Triangle group of the Charleroi area — which together lost around BFr 50bn over the past six years.

The majority State share in the merged group, which is now Europe's seventh largest steel concern, was only finally agreed after prolonged negotiations in which the Socialist Party threatened to withdraw from the Government coalition led by Premier Mark Eyskens' Christian Democrats.

The second article in our occasional series on foreign corporate investment in the U.S. looks at a sensitive process of integration. **Hazel Duffy** and **David Lascelles** report

Airco leaves its stamp on BOC

WHEN BOC International, the British-based international industrial gases group, finally won control of Airco, one of the biggest U.S. companies in the same business, in spring 1978, its sales almost doubled. In 1977, BOCI sales totalled £670.6m, which swelled to £1.2bn ($2.2bn) the following year with the inclusion of Airco. The British interests, which had accounted for about three-quarters of group activity, shrank to one-third overnight.

The Airco acquisition was no ordinary "European group expands in the U.S." story. From the point of view of size alone, it was inevitable that Airco would change the international operations of the group, which used to be known as British Oxygen. In fact, it has emerged that Airco has been the spur for substantial changes at the heart of the old empire as well.

BOCI and Airco had a long and chequered relationship before they finally came together in 1978. In 1973, BOC paid $83m for a 35 per cent stake in Airco, which resulted in preliminary anti-trust investigations. These were dropped in 1975, and the two companies came to form a closer relationship, with two Airco executives going on the board of BOCI. But the peace was rudely shattered when the British group started buying up more Airco shares three years later.

For the next few months, the two sides fought a transatlantic takeover battle during which Airco became the object of a rival bid. But in the spring of 1975, BOCI finally clinched Airco with an offer for its shares valued at $600m. Relations between the two companies were not at their most harmonious, the Airco executives resigning from BOCI. But the time had come to repair bridges and then to decide the way in which Airco should be run.

Mr Richard Giordano, chief executive of Airco, rejoined the board in January 1979. The following month, he was one of about 60 senior group executives closeted in a Cotswolds hotel to discuss a long-term strategy for BOCI. His Airco colleagues remember that he made quite an impression with his forceful arguments for a more dynamic force at BOCI.

Sir Leslie Smith, chairman and chief executive of BOCI, approached Mr Giordano a short while afterwards with the proposal that he should come to London and become chief executive of the whole group. The proposal was accepted, and in October 1979, Mr Giordano moved to London, where he appointed a fellow Airco executive, Mr David Craig, as deputy managing director in charge of planning and operations.

Two Airco men were thus given key positions at the head office at a time when the U.S. acquisition was clearly signalling that changes were necessary in the group structure. The personality angle can be seen immediately to have had a major effect on the attempts to integrate Airco into the group.

Why did Sir Leslie decide to relinquish his chief executive duties and offer the post to Mr Giordano?

● It was necessary to demonstrate to Airco executives that their promotion prospects could go as high as the top of BOCI. If Airco had been taken over by an American group, they would naturally have seen their promotion ladder in terms of their new parent, and Sir Leslie wanted to ensure that it would not be any different because the owner was foreign.

● There were really only two possible internal candidates for the job once Sir Leslie had decided that it was time to split the top post—Mr Giordano, and Mr John Williams, chief operating officer of BOCI. External candidates were ruled out because experience in running this particular type of business was necessary, and this makes for a very narrow field.

In the event, Mr Williams suffered a health setback and the post fell to Mr Giordano.

Mr Richard Giordano

He moved over at a salary which was revealed last year as £271,000, making him the highest paid executive in the UK. Sir Leslie says the agreement was that Mr Giordano would not be any worse off, after taking account of everything involved in the move, than he had been in the U.S. He knows of no resentment over the salary among management.

Is Mr Giordano worth the expense? The 1980 group results showed a fall in trading profit to £118.2m from £124.6m in 1979, with the contribution from the Americas (largely Airco) dropping by £6.4m to £49.7m. After payment of heavy interest on the debt incurred in the Airco acquisition, pre-tax profit was down from £72.7m to £61.5m.

If Airco has yet to prove that it can shine in terms of profits, there is no doubting its significance to the future of BOCI. Group capital investment in the current year will be £130m, of which around half will be in the U.S. Next year, this will rise to £175m, and Airco will account for more than half, the expansion in carbon and graphite in the U.S. being the most significant reason.

An assessment of the impact that Airco has had on BOCI needs, however, to look beyond the sales, profit and investment figures. BOCI has been historically a British-dominated group with its overseas interests predominantly in the Commonwealth countries. The links between the companies were loose-knit, the emphasis on decentralised management.

Since arriving at the head office in Hammersmith, West London, Mr Giordano has masterminded BOCI's attempts to tighten headquarters' role in managing the worldwide interests. He does not like to call it centralisation, and rejects the suggestion that anything is being imposed on these companies, but believes strongly that head office should be involved more closely in decisions over the allocation of financial and human resources and formulating worldwide strategies. The integration of Airco into the group is an essential part of that strategy.

"I want to make Airco think and act like it is part of the group. I think we have successfully diffused any ill-feeling that was left over as a result of the takeover, and it is obvious that my appointment and that of David Craig has made it a helluva lot easier to grease the wheels," says Mr Giordano.

Airco executives would seem to agree that things have gone relatively smoothly. "We think the merger had a greater impact on the parent and other BOCI subsidiaries than it did on us," said Mr David W. Troast, group vice-president at Airco's headquarters in Murray Hill, New Jersey. The employee resentment that sometimes accompanies a foreign takeover has not been a problem, he claims, though this may also have something to do with BOCI's broad efforts to make individual companies feel they are part of, and not owned by, a group.

Nevertheless, Mr Giordano is conscious of the fact that Airco is still the "foreigner" in the group. Besides the U.S., the other three geographical divisions in the group are Europe, Africa, and Australia, and the greatest cultural barriers, says Mr Giordano, are with the U.S. For this reason, he is particularly pleased that a recent senior appointment by Airco was of an Australian, the first time it is believed that Airco has had non-U.S. management at this level.

The elimination of product research and development duplication is a key plank in the head office plan to bring the operating divisions closer together. Two review boards were set up by Mr Craig—one for industrial gases and the other for welding, both primary BOCI activities — which found that BOC and Airco were each making major contributions to the technology pool. But in some developments, Airco was further ahead, and in others BOC.

The acquisition of Airco has transformed BOCI from being a British and Commonwealth group into one that is international. The central pivot, however, will remain in the UK. "We must not forget," says Mr Giordano, "that this is still a British group." But this does not mean that the British interests—once the major part of the group but now second to Airco—will receive any special treatment.

GROUP RESULTS AT A GLANCE

	1980 £m	1979 £m
Sales	1194.5	1229.0
Trading profit		
Europe	27.7	31.4
Africa	16.9	14.9
Americas	49.7	56.1
Asia	1.4	1.7
Pacific	22.5	20.5
	118.2	124.6
Profit before tax	61.5	72.7
Current cost profit before tax	59.8	65.5
Earnings	36.9	37.0
Current cost earnings	35.1	30.1
Capital employed	1170.3	1067.8

Deutsche Shell in the red

BY OUR FINANCIAL STAFF

SECOND QUARTER losses have pushed Deutsche Shell into the red for the first half of 1981.

Sales have been slipping, and the strength of the dollar has badly upset the company's cost calculations.

As a result, losses on processing have shot up to DM 54 a tonne for the half year from the DM 5 lost during the opening half of 1980.

The overall loss was primarily based on a deficit of DM 209m in oil operations in the second quarter. Deutsche Shell said the swing to second quarter losses from a first quarter net profit of DM 32m mainly resulted from the sharp rise in the dollar on foreign exchanges, driving up prices for imported crude oil.

While declining to forecast how the 1981 result will compare to a profit of DM 245.8m in 1980, the company said that the situation was not expected to improve if the U.S. currency remained steady or continued to strengthen.

Declining demand for petrol and othe oil products is causing increased losses in refinery operations.

ABN sees higher earnings

By Our Financial Staff

ALGEMENE Bank Nederland expects net earnings for this year to exceed the Fl 309m recorded in 1980. The first half results to be published later this month, will be favourable, the bank says in the prospectus accompanying a new subordinated bond issue.

Provisions for general risk are expected to remain at a high level after doubling to Fl 300m last year. Current developments in international money and capital markets are making it difficult for the bank to maintain interest margins at the "required" levels.

One of ABN's major rivals in Dutch banking, Amsterdam-Rotterdam Bank, plans to acquire a majority stake in the Cologne-based Handels-und Privatbank from Landwirtschaftliche Rentenbank of Frankfurt. Handels-und Privatbank had a balance sheet total of almost DM 1.1bn at the end of 1980. Nominal capital is DM 24m.

Africa-Israel Investments gain

By L. Daniel in Tel Aviv

AFRICA-ISRAEL Investments, one of Israel's oldest and largest investment companies with interests ranging from construction to health spa facilities, reports that its consolidated balance-sheet total rose by 123 per cent in the year ended March 31, 1981, to Sh 108m ($12.2m) and its net profit by 105 per cent to Sh 22m ($2.5m).

Both figures are below the 133 per cent rate of inflation in 1980. The company is distributing an unchanged 10 per cent cash dividend and scrip at the rate of 60 per cent (30 per cent in 1979-80).

Africa-Israel Investments is controlled by Bank Leumi.

Dead Sea Potash increases earnings

By L. Daniel in Tel Aviv

THE DEAD SEA Potash Works has reported an increase, after allowing for inflation, of 59 per cent in net profits for the year ended March 31 to Sh589m ($58m). Some three-fifths of this is being set aside for investment, including a study of the influence of the proposed Mediterranean-Dead Sea Canal on the output of the works, should this project be implemented.

The company is paying a final cash dividend of 20 per cent, in addition to the interim 25 per cent cash, which will also be payable on the shares which were distributed last year at a rate of 65 per cent. In 1979-80, the cash dividend was 40 per cent and the share issue 125 per cent.

Direct and indirect exports brought in $156m, a rise of 38 per cent over the previous year. The potash works produced at 12 per cent above its rated capacity and sold 1,333m tonnes.

Strong gains by Polgat

By Our Tel Aviv Correspondent

POLGAT, Israel's largest integrated textile combine and its biggest producer of clothing, reports that exports rose by 36 per cent in 1980, despite world market conditions, to reach U.S.$65.5m. The company's pre-tax profit soared to Sh99m ($84.3m) from Sh29m in 1979. Net earnings after income tax and minority interests came to Sh81m.

The company has increased its dividends for 1980 to 40 per cent cash, against 30 per cent in 1979, and 100 per cent in shares, compared with 40 per cent.

Komatsu revises forecast after good first-half result

BY YOKO SHIBATA IN TOKYO

KOMATSU, the world's second largest manufacturer of construction machinery, reported better than expected earnings for the six months ended June 30, because of buoyant exports which were in turn helped by the yen's depreciation.

Exports are expected to continue to be strong for the rest of the year, and the company now expects an increase in full year operating profits after previously forecasting a fall.

First-half operating profits were Y27.03bn ($112.5m), up 3 per cent over the same period of 1980 on sales ahead by 8.7 per cent to Y271.1bn ($1.1bn). Net profits rose by 6.7 per cent to Y12.52bn and profits per share were Y16.55, against Y15.67.

Domestic sales were sluggish in the half because demand for construction machinery was affected by curbs on investment in public works. However, domestic sales were offset by a strong export performance centring on a pick-up in demand for construction machinery and the yen's depreciation against other currencies.

Exports advanced by 25 per cent in value to account for 50 per cent of total turnover at Y109.3bn. Sales of construction machinery, the company's main product, rose by 7 per cent to account for 88 per cent of turnover and reflecting active capital investment by the private sector. Industrial machinery sales advanced by 31 per cent to account for 8 per cent.

With the higher profitability of exports compared with domestic sales, the company was able to post the marginal gain in operating profits. The interim dividend is maintained at Y4 and the company expects to pay an unchanged Y8 total.

Komatsu projects operating profits of Y57bn, up 11 per cent for the full year, on sales of Y556bn, up 10 per cent. Net profits are forecast to show a rise of 14 per cent to Y26bn.

Further acquisition by Coles

BY OUR SYDNEY CORRESPONDENT

G. J. COLES and Company, the major Australian retail group, is continuing its new marketing policy through the acquisition of another chain of retail liquor stores. The move is its second major drive into liquor retailing. The company has announced the purchase of Mac The Slasher, of Tasmania, the state's largest operator in the field.

Coles recently acquired one of New South Wales' principal liquor retailers, Claude Fay, which operates 54 outlets in the state. These two purchases lift the total number of independent outlets under its control to 61. Coles also retails liquor in 99 of its New World supermarkets, scattered across the country.

The purchase of Claude Fay and Fays, a Sydney-based shoe retailing group, is the first stage of a plan of expansion through acquisition rather than the policy of internal development.

Mr Beven Bradbury, the company's managing director, made it clear in comments after the Mac The Slasher takeover, that the company is poised to make other similar takeovers in pursuance of this new policy.

Negotiations for the latest purchase have been in progress for four weeks, and as Coles is technically a foreign company in Tasmania the deal is subject to Foreign Investment Review Board approval. As with the Claude Fay takeover, the company has not disclosed the terms of the Mac The Slasher purchase.

Operating profit up 73% at Everite

By Jim Jones in Johannesburg

EVERITE, the South African asbestos products manufacturer, which is 41 per cent-owned by the Eternit group of Switzerland, increased operating profit by 73.4 per cent to R30.35m ($31.84m) in the year to June 30, from R17.45m and turnover rose by 35.1 per cent to R142m against R105.1m in 1979-80.

The company adopted Lifo (last in first out) accounting methods in the year which resulted in a R2.8m reduction in pre-tax profit and a R1.2m reduction in the tax liability.

Management says that activity in those divisions serving the building industry remained at a high level and all divisions contributed to profits. However, no dividend was received from the 46.3 per cent-owned Asbesco, which manages the company's asbestos mining operations. The remaining 53.7 per cent of Asbesco is owned by other companies within the Eternit group.

A total dividend of 50 cents has been declared from earnings per share (before Lifo adjustments) of 102.8 cents. Last year the dividend was 28 cents and earnings per share 62.5 cents.

White Industries move to regain Australian status

BY OUR SYDNEY CORRESPONDENT

WHITE INDUSTRIES, the diversified New South Wales coal group, has moved to regain Australian status by placing 10 per cent of its issued capital with the superannuation board of New South Wales in a A$20m (U.S.$22.72m) off-market deal. This is the first step in a major reorganisation of the company's shareholding structure.

Under Foreign Investment Review Board guidelines, White Industries was classed as foreign because Mitsubishi Development Pty held more than 15 per cent of its equity.

The superannuation board has bought 1.88m White shares from the Japanese group, thus halving Mitsubishi's 20 per cent holding in White, of which 16 per cent was held in its own right.

White Industries is also reportedly close to completing arrangements with "friendly" institutions for the placement of a further 8.49m shares. They account for 45 per cent of White's capital and are held in the name of Sydney solicitor Mr John McGuigan. The shares were bought from Mr Alan Bond's group of companies last year, funded by the White Industries camp, including the Mitsubishi group.

Bahrain Aluminium sees downturn

By Mary Frings in Bahrain

STRONG DEMAND and record prices for aluminium in the first four months of 1980 helped Bahrain Aluminium (Balco) to make a profit over the year of $48.5m. For the current year, however, profits are projected at something under half this level. Balco acts for the Bahrain and Saudi Government shareholders in the Alba smelter, marketing almost 78 per cent of the metal produced.

Sales revenue in 1980 declined by 28 per cent over 1979 as a result of a 40 per cent reduction in the tonnage of metal sold.

Net profit, however, was only 9 per cent down, and represented a 35 per cent return on turnover. This was achieved in spite of the exceptional $1.6m additional cost of obtaining alumina supplies, when Alcoa of Australia was on strike.

The year, however, finished in a mood of unrelieved gloom, with the much hoped-for recovery in the U.S. proving ever more elusive. The early months of 1981 have only confirmed the downward trend in activity and the steady fall in prices and volume. At the end of June the metal stockpile stood at 49,000 tonnes.

Nevertheless Alba will continue to run at a capacity of 125,000 tonnes per year and will bring the new 45,000 tonnes per year potline into full production by the end of the year, while Balco adds to its stockpile to avoid inadequate margins until it can again sell into a rising market.

WORLD STOCK MARKETS

Wall St off 5 in early trade

STOCKS ON Wall Street showed a downward tendency yesterday morning in fairly active trading, with a series of negative factors overshadowing the optimism engendered last week by Congressional passage of President Reagan's tax cut Bill.

The Dow Jones Industrial Average, which rallied 15.60 last week with a 7.23 gain seen on Friday, was 5.04 easier at 947.30 at 1 pm yesterday. The NYSE All Common Index last 23 cents at $75.72, while declines outscored gains by an eight-to-five margin. Trading volume amounted to 29.29m shares, against Friday's 1 pm level of 32.32m.

Larry Wachtel, of Bache Halsey Stuart Shields, said investors are particularly concerned that the $8.5bn Treasury refunding, planned for this week, will fail to attract investors, which could lead to higher interest rates.

News that purchasing agents saw a sharp deterioration in the economy in July was also cited as an unsettling influence on the market, along with the air traffic controllers' strike.

Further developments in the Conoco bidding war continued to focus trading on the companies involved. **Mobil** announced that it has raised the cash portion of its offer for **Conoco** to $115 a share from $105 and **Du Pont** reduced the minimum number of Conoco shares it will accept to 35.5m from 43.5m.

Conoco rose 1⅞ to $93⅞ before being halted for the second time yesterday, and was the second most active issue despite trading for only about half an hour. **Mobil**, also active, was unchanged at $30⅝, while **Du Pont** lost ½ to $44⅞ but Seagram, the other bidder, gained 2⅜ to $55.

Also active was **Fluor**, up $1 to $37⅜ after its take-over offer was approved by St. Joe Minerals' holders. St. Joe climbed 1½ to $44⅞.

Burroughs lost 1½ to $35⅞ ater agreeing to acquire **Memorex**, up ½ at $13⅞.

THE AMERICAN SE Market Value Index shed 2.81 to 359.16 at 1 pm. Volume 2.45m shares (3.16m).

Closing prices for North America were not available for this edition.

Canada

The Toronto stock market was closed yesterday for a public holiday.

Tokyo

Shares tended to drift lower on scattered selling, with a wait-and-see attitude dominating the market due to the yen's further fall against the U.S. dollar.

The Nikkei-Dow Jones Average declined 17.50 to 7,815.97 and the Tokyo SE index shed 1.52 to 590.36. Falls outnumbered rises on the First Market section by 325 to 219 after a light turnover of 230m shares, compared with Friday's 330m and Saturday's half-day session total of 260m.

Light Electricals, Precision Instruments, Vehicles, Steels-Constructions and Textiles were among weakening sectors. However, Oils advanced on "cheap" buying, while Optical Fibre Manufacturers and some Heavy Electric Machine issues also improved.

Sony fell Y70 to Y4,930, **Pioneer Electronic** Y60 to Y4,360, **Matsushita Electric** Y20 to Y1,760, **Canon** Y20 to Y1,710, **Sumitomo Metal** Y4 to Y276, **Nippon Steel** Y2 to Y210, **Toyota Motor** Y20 to Y1,480 and **Tokyo Electric Power** Y14 to Y855.

In contrast **Nippon Oil** moved ahead Y13 to Y843, **Hitachi** Y5 to Y799, **Kawasaki Heavy** Y4 to Y205, **Fuji Heavy** Y20 to Y579, **Furukawa Electric** Y10 to Y375, **Fujikura Cable** Y11 to Y405 and **Takeda Pharmaceutical** Y15 to Y865.

Germany

Fresh strong foreign buying pushed the market further ahead initially. However, subsequent profit-taking amid worries over mounting tension in Poland and the surging dollar on Foreign Exchange markets trimmed many of the gains.

In Steels, which had advanced last Friday on the Government's aid package for the industry, **Kloechner-Werke** added DM 3, **Krupp Stahl** DM 2.50 and **Hoesch** DM 1.80. **Thyssen** failed to hold an early rise of DM 2.10, ending only 40 pfennigs higher at DM 73.30.

Among Chemicals, **Schering** were DM 2.50 firmer, while **BASF**, after last week's strong performance, ended DM 1.70 harder at DM 148.50, after touching DM 149.50.

Degussa, the precious metals and chemical concern, climbed DM 6.20 to DM 272, while machine manufacturer **Linde** put on DM 4.

Public Authority Bonds were little changed after very quiet trading.

Paris

Bourse prices displayed a firm bias, but trading was thin due to many operators being on holiday during August.

Cuts in French banks' base rates to 15.3 per cent from 15.6 and a reduction in the Call Money rate to 17¼ per cent from 17½ gave some encouragement to investors, as did Wall Street's advance last Friday.

Gains led declines by 111 to 66 in the French section, with Motors, Department Stores and Electricals providing the brightest sectors, but Banks, Metal issues and Textiles were easier-inclined.

Australia

Minings and Oils displayed a firmer tendency on the Melbourne Stock Exchange yesterday, although trading was quiet. The Sydney market was closed for a local holiday.

Higher copper prices overseas boosted **Bougainville** to A$1.60, before settling back to close at A$1.58 for a net gain of 6 cents.

MIM hardened 4 cents to A$3.74, while elsewhere in Minings, **CRA** put on 15 cents to A$4.15 and **Peko-Wallsend** 4 cents to A$6.50.

In the Golds sector, **Kitchener** rose 15 cents to A$2.70, but **GMK** moved against the trend, declining 22 cents to A$6.08.

Among Oil and Gas Explorers, **Vamgas** improved 20 cents to A$12.80, **Petroleum Securities** 10 cents to A$6.20, **Weeks Petroleum** 20 cents to A$5.80 and **Woodside** 5 cents to A$1.73.

However, Industrials and Resources leader **BHP** slipped 10 cents to A$13.05, while **CSR** receded 8 cents to A$5.40.

Johannesburg

Gold shares were only modestly easier despite the Bullion price falling through the $400 level to almost $390 an ounce, its lowest point since late November 1979.

Other Mining sectors also softened, with **Anglos** losing 20 cents to R15.05 in Mining Financials.

Singapore

After taking its recent recovery movement a stage further early yesterday, the market partially retreated. However, the Singapore Straits Times Industrial index still showed a rise of 12.45 on the day at 834.74.

DBS gained 15 cents at S$8.40 and **Malayan Banking** 10 cents at S$7.70, but **Inchcape** lost 18 cents at S$2.73.

Hong Kong

Markets were closed yesterday for a public holiday.

COMMODITIES AND AGRICULTURE

Tax straddle battle lost by market

By Nancy Dunne in Washington

IN THE FINAL tax-cut measure which emerged from a House-Senate conference over the weekend, the U.S. commodities industry lost its battle to retain tax benefits for traders who straddle in the futures market.

The conference rejected the House Bill, heavily backed by the industry, which outlawed the use of straddles for outside investors but allowed traders to continue taking deductions on the artificial losses created in a straddle.

The Administration had always favoured the Senate bill which adopts the "market to market" concept of taxation, meaing that holdings will be computed for tax purposes on December 31 each year, rather than when an account is closed out.

Opponents to the House Bill portrayed it as a $4m giveaway for 2,500 commodity traders. The industry says the Senate Bill will reduce market liquidity.

The measure approved aso eliminates the distinction between long-term and short-term gains in futures trading and sets the maximum rate of taxation on commodity income down from 70 per cent to 32 per cent. The legislation does not apply to hedgers who use the markets to protect themselves against changes in prices.

Pakistan sells cotton to India

By K. K. Sharma in New Delhi

PAKISTAN is to supply India with 100,000 bales of short and medium-staple cotton next month in a deal finalised at Bombay at the weekend after week-long negotiations. This constitutes an important breakthrough in Indo-Pakistan trade which is currently at a virtual standstill.

Agreement on the deal was reached between the Cotton Corporation of India and the Cotton Export Corporation of Pakistan. The cotton is needed for the Indian textile industry which is currently facing a shortage.

A better cotton crop is expected in India this year and the Cotton Corporation has launched a big purchasing programme involving the procurement of 1.6m bales from farmers during the 1981-82 session.

Strong gains in base metals

BY JOHN EDWARDS, COMMODITIES EDITOR

BASE METALS advanced strongly again on the London Metal Exchange yesterday. The main influence was the decline in the value of sterling against the dollar, but market sentiment was also boosted by U.S. domestic price rises for copper, lead and zinc.

Star performer on the Exchange, in percentage terms, was once again zinc, with the cash price jumping by £14.5 to a seven-year high of £508 a tonne.

Asarco, one of the leading U.S. producers, announced yesterday afternoon that it was raising its domestic selling price for high-grade zinc by 3 cents to 49.25 cents a lb. and prime western grade by 3.5 cents to 50 cents a lb. This followed a similar increase announced by Hudson Bay of Canada late last week, and immediately triggered off further predictions that the European producer price of zinc will soon be increased from its present level of $925 a tonne.

West German smelters remain dubious, pointing out that consumer demand is still poor and that producers are already gaining from the increased value of the dollar.

Zinc ore concentrate supplies remain short, with the strike at Tara Mines in Ireland making the situation worse. However, it was confirmed last night that workers had approved a new three-year contract at the New Jersey Zinc plant in the U.S. where labour contracts expired the weekend.

Three month copper wirebars moved over £1,000 for the first time since last April closing £22.25 up at £1,012 a tonne, after trading at a peak of £1,019 a tonne. Hudson's Bay boosted its U.S. copper price to 87 cents, while Phelps Dodge and Asarco have gone to 86 cents. These rises come after a long period when New York has been lagging behind London, casting a general air of gloom. There are some reports of better consumer demand finally emerging in America and also fears that further serious trouble could erupt on the Zambian copperbelt.

Lead was boosted too yesterday when St Joe Minerals raised its U.S. selling price by 2 cents to 44 cents in line with the increase announced by Noranda and one cent more than the Asarco rise last week.

The continuing strike at Amax plants in Missouri, which started as far back as June 1, and the Tara stoppage, have given the lead market a firm undertone. So have persistent reports of Russian buying.

Tin values were higher again, reflecting sterling and a further rise in the Penang market over the weekend. Cash tin, after trading over £8,000 at one stage, finally closed only £57.5 up at £7,940 a tonne. The three months price was £105 higher at £7,877.5.

Stocks of tin held in the LME warehouses rose again, by 750 to a total of 7,885 tonne, and the squeeze on market supplies seems to have eased slightly. Lead stocks rose by 1,025 to 44,550 tonnes: aluminium by 675 to 74,175; nickel by 6 to 2,412 and LME silver holdings by 30,000 to 26,790,000 ounces. Copper stocks fell by 275 to 115,000 and zinc by 350 to 85,550 tonnes.

● CHICAGO—Bunker Hill, a unit of Gulf Resources and Chemical, said that it is raising by 3c a pound its prices of zinc metal immediately.

The new prices include high grade at 49.25c a pound, and special high grade and prime western and lead controlled at 49.75c a pound.

Pact hopes lift cocoa price

BY OUR COMMODITIES STAFF

INCREASING HOPES for the effective operations of the new International Cocoa Agreement (ICCA), which came into effect provisionally on Saturday, encouraged a price rise yesterday which pushed nearby positions on the London cocoa futures market to their highest levels for 14 months. The December quotation ended the day £35 up at £1,211.50 a tonne.

As the International Cocoa Organisation held its final council meeting under the old agreement, the Ivory Coast, which has refused to join the new pact because it considers the support price of 110 cents a pound inadequate, asked for its $50m contribution to the existing buffer stock fund to be returned. Its request was turned down, however, and the whole of the $230m fund was carried forward to the new agreement.

This cleared the way for Britain to join most other producers and consumers in provisional application of the pact. It had indicated previously that it was prepared to do this provided the Ivory Coast did not remove its money from the fund.

As the world's biggest producer, the Ivory Coast has most to gain from the new agreement's support buying operations. A decision on when these will begin — market prices are currently around 13 cents below the floor level — will be taken at its first council meeting, which begins today and is to continue tomorrow. Producer delegates are expected to press for buffer stock buying to begin as soon as possible though consumers think it will be delayed until October.

Members of the pact account for 72 per cent of world cocoa production and 62 per cent of consumption (the U.S. has not joined). But in the absence of the Ivory Coast the effectiveness of its support buying and export limitation policy remains in doubt.

Battery hen plans attacked

BY OUR COMMODITIES STAFF

EEC PROPOSALS to improve the lot of battery hens would increase egg prices, force some producers out of business, and do nothing to help the hens, according to the National Farmers' Union.

The Common Market Commission wants all battery hens to have at least 77 sq ins of floor space and 1.3 ft of headroom by 1995. The NFU estimated yesterday that this would add about 5p a dozen to egg prices at current values.

Mr. Ted Kirkwood, chairman of the union's poultry committee said producers would have to take up to three birds out of battery cages holding five at present, causing an inevitable rise in production costs and extra capital spending to house displaced birds.

"There is certainly not the money in the industry to undertake this scale of investment and so output in this country is bound to fall," he added.

A union statement said it did not believe the Commission's proposals made any real contribution to the welfare of battery hens.

Scots back on herring grounds

By Mark Meredith, Scottish Correspondent

SCOTTISH fishermen have returned to the herring grounds off the west coast of Scotland after pulling out last week when they found the processing industry unprepared to take their catches.

The fisherman said they had returned to make the best of what remains of the limited quota of herring. A total available catch of 67,000 tonnes of herring was set for Common Market fishermen off the west coast when the grounds reopened one week ago yesterday, following a three-year ban to conserve stocks.

British fishermen had expected a gradual return to herring fishing in the area under a Common Fisheries Policy and when no policy was agreed by Ministers in Brussels, they forecast a free-for-all among Common Market fishermen and the potential exhaustion of herring stocks.

Warning from Danish pig farmers

By Hilary Barnes in Copenhagen

UNLESS THERE is a change in the current conditions for pig production the ordinary Danish pig farmer will disappear within a few years, according to Mr J. Esp Sørensen, chairman of ESS-Food, the pigmeat export association.

"The accounts show that only a favoured few can get income and expenditure to balance. The rest must work without a wage and accumulate debt in order to survive," he wrote in the pig producer's monthly journal.

He said that the only thing that can help the farmers is a reorganisation of about a third of all farm debt, which needs to be converted into low interest loans with Government backing. In return for this the farmers would have to undertake not to make a capital gain out of the debt conversion.

Farmers might dislike the loss of freedom which such a form of mortgage would imply, he said, but the time has come to exchange the illusion of freedom with greater security and a better daily life.

USSR imports Thai rice

BY OUR BANGKOK CORRESPONDENT

FOR THE first time ever, the Soviet Union has become an importer of Thai rice.

Figures from the Thai Board of Trade showed the Soviet Union imported about 242,435 tonnes of Thai rice in the first six months of this year. The purchases represent a dramatic increase over the 160,795 tonnes Moscow imported during the same period last year.

During the period, Iran was the second largest purchaser of Thai rice, at 211,670 tonnes. Total revenue for rice exports during the period stood at 15,669m baht, compared with 11,890m baht in the first six months of 1980, an increase of nearly 32 per cent.

About 3.6m tonnes of rice have been committed for sale this year, which is close to the Government's original target at 2.8m tonnes. Exporters said that the additional 200,000 tonnes or even more may well be sold, especially in light of last month's 8.7 per cent devaluation of the baht.

A Government price support scheme lifted significantly prices paid for paddy to the farmer, which was an important factor in pushing up prices both here and abroad.

One problem for exporters has been the generally slow sale of less than top grades of rice. The president of the Agricultural Co-operative Federation of Thailand, Mr Prapat Imprabhan, has urged the Government to take steps that will make it easier for exporters to sell stockpiles of broken and off-white rice.

Reuter reports that one of the reasons why the USSR has had to import rice has been the recent heatwave which has sparked fires in vast areas of the USSR, burning homes, shops, forests and grain fields.

Official forecasters say the hot spell which has affected the European part of the Soviet Union for the past month and caused damage to grain crops will continue throughout August.

The Soviet meteorological office's preview for the month said temperatures would remain higher than average throughout the region, including the southern black earth zone where most of the grain crops are sown.

Western agricultural experts have also said a continuation of the dry weather could affect the yields of potato and sugar beet crops.

India, poised to reap a bumper maize crop this year, has decided to lift its five-year-old ban on corn exports and ship a so far undetermined quantity to the USSR.

Surplus production will go exclusively to the Soviet Union. Maize production in 1980-81 (July-June) is likely to total about 1m tonnes more than the previous year's output of 5.58m tonnes.

The serious drought in China in the southwestern province of Guizhou, affecting about 40 per cent of farmland, has been alleviated through cloud-seeding, according to the New China news agency.

Australia, meanwhile, has sold 500,000 tonnes of wheat to China.

Resistance to EEC dumping

BY PATRICIA NEWBY IN CANBERRA

MR PETER NIXON, Australia's primary industry minister, said yesterday that the world's efficient food producers needed to build "an alliance of interest" to resist the threat of "subsidised, unfair competition" from the EEC.

Addressing a meeting in Darwin of the Australian Agricultural Council which includes agriculture ministers from the six Australian states, Mr Nixon said recent discussions with Brazil and Argentina indicated that they were as concerned as Australia at "dumping" by the EEC.

Mr Nixon said the need to build an alliance was one reason why Australia was so disturbed about the recent U.S. decision to impose a countervailing levy of 6.81 per cent on Australian lamb exports.

Australia totally rejected the allegation that the country's lamb exports were subsidised and the American action was in sharp contrast to the shared concerns of both the U.S. and Australia over the EEC's policy of exporting subsidised agricultural surpluses, Mr Nixon said.

The U.S., which claims Australia's lamb is subsidised because of Government-supported trade promotion and the killing of animals in publicly-owned abattoirs is to make a final decision on the Australian lamb issue next month.

Brusssels stand on sugar condemned

BY LARRY KLINGER IN BRUSSELS

THE EEC came under strong attack from the Third World yesterday over the continuing deadlock over the price of cane sugar imports into the EEC.

Mr. Raymond Chasle, the Mauritian ambassador to the Community, said African, Caribean and Pacific (ACP) countries associated with the EEC under the Lomé trade and aid agreement would not settle for anything less than the 8.5 per cent price rise awarded to European beet producers in April.

ACP suppliers, who had been seeking a 12 per cent rise, were offered only 7.5 per cent by EEC agriculture Ministers. They have since reduced their demand to 8.5 per cent, but the EEC Ministers have refused to budge.

The Common Market had framed its proposal and presented it as a *fait accompli*, Mr. Chasle complained.

Mr. Peter Walker was specifically criticised for insisting the lower price was necessary to preserve the viability of Tate and Lyle, which refines virtually all the ACP imports.

The company had not asked him to veto a bigger increase, Mr. Chasle claimed. It was, in fact, now taking sugar in line with the Community's 8.5 per cent rise.

Soviet sugar production in the first quarter of 1981 was 3 per cent above target, according to the East Bloc Agricultural Newsletter, reports Reuter from Bonn. Quoting the Moscow Sugar Journal, it said the amount of surplus white sugar produced totalled 31,300 tonnes.

Under the present economic plan the white sugar production target is 12.4m tonnes.

The newsletter described achievement of this goal as "a tight but totally realistic task."

BRITISH COMMODITY MARKETS

BASE METALS

BASE METAL prices were generally stronger yesterday in line with the weakness of sterling against the dollar. Zinc was the high spot, closing at £518 on news of the price rise from Asarco. Nickel was also a strong market, closing at £3,435. Copper was finally £1,009, Tin £7,880, Lead £473 Aluminium £699.50.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	498-9	+14.2	983-4	+20.5
3 months	1013-.5	+52.5	1011.5-2.5	+22.2
Settlem't	986	+51.5	—	.....
Cathodes				
Cash	978-80	+88.5	977-8	+19.5
3 months	1003.5-4	+51.7	1002-3	+21.5
Settlem't	980	+29	—	.....
S. Prod	—		*80-5	.....

Amalgamated Metal Trading reported that in the morning copper three months wirebars traded at £1,012, 12.5, 13, 12.5, 12, 13, 13.5, 14, 14.5, 14. Cathodes, three months £1,004. Kerb: Wirebars, three months £1,012, 11.5, 12, 11.5, 11. Afternoon: Wirebars, three months £1,006, 7, 8, 9, 8.5, 9, 11, 10.5, 11, 12, 11.5, 11, 11.5. Kerb: Wirebars, three months £1,011, 10.5, 10, 09, 8, 9, 10, 10.5, 10, 11, 10.5. Turnover: 25,175 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	8000-5	+50	7930-50	+57.5
3 months	7890-900	+70	7875-80	+185
Settlem't	8005	+50	—	.....
Standard				
Cash	8000-5	+50	7930-50	+57.5
3 months	7890-900	+70	7875-80	+105
Settlem't	8005	+50	—	.....
Straits E.	$433.46	+18		.....
New York	—	.....		

Tin—Morning: Standard, cash £8,010, 05, 8,000. Three months £7,895, 7,900, 10, 05, 7,900. Kerb: Standard three months £7,890, 80, 90. Afternoon: Standard three months £7,890, 80, 90, 85, 80, 70, 75, 80, 85, 80, 75. Kerb: Standard three months £7,870, 75, 80, 85. Turnover: 710 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	471.75-2	+15.1	472-3	+15
3 months	472.5-3	+11.2	473-4	+11
Settlem't	472	+15	—	.....
U.S. Spot	—	.....	*41	.....

Lead—Morning: Cash £471, 71.5. Three months £471, 71.5, 72, 72.5. Kerb: Three months £471.5, 71, 72. Afternoon: Three months £470, 71, 72, 71.5, 71, 72, 73, 73.5, 74, 73.5. Kerb: Three months £473.5, 73, 72, 72.5, 73, 72.5, 72, 73. Turnover: 10,025 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
	£	£	£	£
Cash	498.9	+14.2	507.5-8.5	+14.5
3 months	510-1	+5.75	519-.5	+15
S'ment	499	+4.5	—	.....
Primw'te	—	—	*46.5-9.75	.....

Zinc—Morning: Three months £512, 11.5, 11, 10, 09.5, 9, 10. Kerb: Three months £510.5. Afternoon: Three months £508, 9, 10, 11, 10.5, 11, 15, 16, 17, 18.5, 17, 19, 18, 19, 19.5, 20, 18.5. Kerb: Three months £516, 17, 18, 19. Turnover: 11,100 tonnes.

Alumini'm	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
	£	£	£	£
Spot	671-2	+10	678-80	+8.5
3 months	694-.5	+10.5	701-.5	+8.75

Aluminium—Morning: Three months £697, 96, 95, 95.5, 96, 95, 94.5, 94. Kerb: Three months £695, 95.5, 95. Afternoon: Three months £696, 97, 98, £702, 2.5, 2, 1.5. Kerb: Three months £701, 700, 699, 98, 99. Turnover: 13,300 tonnes.

Nickel—Morning: early-Oct £3,400. Three months £3,410, 15, 16, 20, 15, 18, 19, 18, 15. Kerb: Three months £3,415. Afternoon: Three months £3,425, 30, 28, 45, 50. Kerb: Three months £3,440. Turnover: 426 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffici'l	+ or —
Spot	3375-85	+75	3410-20	+85
3 months	3410-5	+81	3445-50	+87.5

† On previous unofficial close.
* Cents per pound. ‡ M$ per kilo.

SILVER

Silver was fixed 6.55p an ounce lower for spot delivery in the London bullion market yesterday at 452.10p. U.S. cent equivalents of the fixing levels were: spot 824c, down 27c; three-month 862c, down 25c; six-month 901.1c, down 28.9c; and 12-month 975.5c, down 33.5c. The metal opened at 449-454p (825-835c) and closed at 454-459p (825-835c).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	452.10p	-6.55	458.5p	—5
3 months	467.85p	-6.40	474.5p	-4.25
6 months	484.45p	-7.00	—	.....
12months	519.60p	-9.05	—	.....

LME—Turnover 122 (44) lots of 10,000 ozs. Morning: three months 467, 65, 66, 66.5, 66. Kerb: three months 467. Afternoon: three months 475, 75, 74.5, 74. Kerb: untraded.

COCOA

Opening less steady than anticipated futures rallied strongly on news of International Cocoa Agreement buffer stock policy in initial stages of discussion and closed at five year highs. Physcials were static with neither producers nor consumers evincing interest at current market levels, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ —	Business Done
Sept	1180-82	+28.5	1183-64
Dec	1221-22	+35.0	1222-01
March	1236-37	+33.5	1237-18
May	1245-46	+33.0	1246-25
July	1251-53	+30.0	1253-37
Sept	1258-59	+29.5	1259-50
Dec	1265-68	—	1270-60

Sales: 3,745 (3,420) lots of 10 tonnes.

ICCO Futures—Daily prices for July 31: 97.89 (96.84); five-day average 97.33 (97.32).

COFFEE

A further high estimation of damage to the Brazilian crop appeared to influence a steadier than expected opening, reports Drexel Burnham Lambert. Values made gains before a lack of follow-through buying encouraged dealer selling. With New York neglecting to follow suit, Robustas seemed unsure of direction and traded thinly during a nervous afternoon.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
Sept	1048-50	—13.0	1082-45
Nov	1049-50	—14.0	1082-48
Jan	1057-59	—14.0	1086-57
March	1060-64	—12.0	1095-58
May	1069-79	—4.0	1095-77
July	1070-80	—13.0	—
Sept	1080-1130	....	—

Sales: 4,691 (6,708) lots of 5 tonnes.

ICO Indicator prices for July 31: (U.S. cents per pound): Comp. Daily 116.59 (116.25); 20-day average 105.16 (104.00).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kilo. Aug 420 seller, nil; Oct 397, 403, nil; Dec 402, 406, 404; Jan 406, 407, 407; March 414, 417, 417-416; May 425, 427, nil; Aug 434, 437, 435; Oct 437, 439, 438; Dec 438, 441; Jan 439, 441, 440. Sales: 15.

BRADFORD WOOL MARKET—Prices rose because of the strength of the U.S. dollar. But the higher prices were insecurely based, encouraging only hand to mouth covering.

GRAINS

Barley opened higher and wheat unchanged, and remained steady until barley found hedge sellers and drifted back. A general easing was followed by some jobber short covering on the close, Acli reports.

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterday close	+ or —
Sep	104.25	+0.10	96.80	—0.20
Nov	108.10	+1.10	100.85	—0.50
Jan	112.25	+0.10	104.95	—0.35
Mar	116.10	+0.25	108.85	—0.35
May	119.70	+0.30	112.35	—0.10
July	123.40	—	—	—

Business done—Wheat: Sept 104.40-104.20, Nov 108.45-108.05, Jan 112.45-112.25, March 116.30-116.00, May 119.85-119.75, July 123.25 one trade. Sales: 290 lots of 100 tonnes. Barley: Sept 97.55-96.70, Nov 101.65-100.85, Jan 105.75-104.95, March 109.65-108.85, May 112.65-112.30. Sales: 314 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2, 14 per cent: Aug 112.50, Sept 111.50, Oct 113.50 transhipment East Coast seller. U.S. Hard Winter, 13½ per cent: Aug 117.50, Sept 118.65 transhipment East Coast seller. English Feed, fob: Sept 108.25, Oct/Dec 112.00 East Coast sellers. Maize: French: late-Aug 126.00 transhipment East Coast. South African Yellow: Aug/Sept 93.50 seller. Barley: English Feed, fob: Aug 98.25, Sept 100.50, Oct 103, Nov 105 East Coast sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 90.60, E. Mids 91.50, N. East 91.90, Scotland 94.70. The UK Monetary Coefficient for the week beginning Monday, Aug 10 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

GAS OIL FUTURES

The market opened lower on the sharp fall in the Deutschemark and other European currencies. A rally in the middle of the day was short-lived *and prices came back to close near* the lows, reports Premier Man.

Month	Yesterdys close	+ or —	Business Done
	$ U.S. per tonne		
August	296.75	—2.25	298.50-96.00
September	299.25	—3.00	302.25-99.00
October	302.50	—3.00	305.00-02.00
November	306.50	—2.00	308.00-06.00
December	309.50	—1.75	310.50-08.50
January	315.00	—0.50	313.50-13.50
February	316.50	+1.00	317.00-16.50
March	319.00	+1.50	319.00-18.50
April	321.50	—	—

Turnover: 635 (1,012) lots of 100

RUBBER

The London physical market opened steadier, little interest throughout the day, closing uncertain. Lewis and Peat reported a fob July price for No 1 RSS in Kuala Lumpur of — (249.5) cents a kg and SMR 20 — (216.0).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
Sept	65.70-66.00	65.70-66.00	65.90-65.60
Oct	66.10-66.40	65.90-66.10	66.50
Oct-Dec	66.80-66.90	66.60-66.70	67.40-66.60
Jan-Mar	69.10-69.20	68.90-69.00	70.00-69.10
Apl-Jne	71.90-72.00	71.60-71.90	72.70-71.90
Jly-Sept	74.70-75.00	74.60-74.90	—
Oct-Dec	77.70-78.00	77.80-78.00	—
Jan-Mar	81.00-81.10	81.00-81.10	81.60-81.00
Apl-Jne	84.00-84.10	83.90-84.00	84.60

Sales: 259 (334) lots of 15 tonnes: 13 (nil) lots of 5 tonnes. Physical closing prices (buyers) were: Spot 64.75p (64.50p); Sept 63.50p (62.75p); Oct 64.50p (64.25p).

POTATOES

LONDON POTATO PRICES—Weekend hot weather attracted buyers early which moved all positions higher. Profit-taking and short selling trimmed gains and in quieter afternoon trade all positions declined, reports Coley and Harper. Closing prices: Nov 99.00, +3.00, (high 101.00, low 97.00); Feb 125.00, +5.50, (high 127.00, low 120.00); April 138.00, +6.50, (high 142.50, low 134.00). Turnover: 1,002 (1,085) lots of 40 tonnes.

SOYABEAN MEAL

The market opened higher on weaker sterling, reports T. G. Roddick, and remained steady in quiet trading conditions before easing slightly.

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
August	141.10-48.0	+4.05	—
October	141.80-42.1	+1.75	145.00-41.00
December	144.00-44.5	+1.65	146.20-45.50
February	147.50-48.0	+2.40	148.80-48.50
April	149.00-52.0	+3.50	—
June	150.00-54.0	+3.75	—
August	150.00-55.0	+2.75	—

Sales: 69 (84) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £226.00 (£221.00) a tonne cif Aug-Sept shipments. White sugar daily price £246.00 (£240.00).

No. 4 Con-tract	Yest'rdy's close	Previous close	Business done
	£ per tonne		
Oct	220.10-20.20	219.15-19.25	225.50-19.00
Jan	217.80-18.10	216.50-17.50	219.70-18.00
March	219.80-19.95	218.80-18.90	222.25-18.85
May	221.50-21.65	219.95-20.20	222.75-19.75
Aug	222.25-23.00	220.75-23.00	222.50
Oct	222.25-24.50	221.00-22.00	233.00
Jan	221.50-23.45	—	224.75-21.50

Sales: 4,047 (4,309) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £360.4 (same) a tonne for home trade and £335.5 (£330.0) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for July 31: Daily price 16.60 (16.72): 15-day average 16.64 (same)

TEA AUCTION

LONDON TEA AUCTION—33,196 packages were offered in yesterday's auction. Demand was less general. The few new season's Assams sold between 104p and 130p according to quality. Bright East Africans did not always realise valuations. Mediums were often 2-4p lower, while small dusts were unwanted. Better Central Africans were firm, plainer sorts failed to reach sellers' limits. Ceylons were generally lower, with dusts neglected. Quotations: Quality 125p per kilo (125p). Medium 103p per kilo (104p). Plain no quotation (81p nominal).

JUTE

JUTE—Aug C and F Dundee BWC £253, BWD £200, BTB £305, BTC £253, BTD £203. Antwerp BWC $475, BWD $371, BTD $549, BTC $480, BTD $378. C and F Dundee Aug 40 in 10 oz £10.22, 40 in 8.5 oz £8.41. B Twills

COTTON

LIVERPOOL—No spot or shipment sales were recorded yesterday. Holiday influences tended to affect the turnover, and with values stagnant, the movement of supplies was insignificant. Demand was restricted to a few specialist growths.

*

GRIMSBY FISH — Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £5.00-£7.00, codlings £1.50-£4.00; Large haddock £3.00-£3.70, medium £2.00-£3.40, small £1.00-£2.00; Large plaice £4.50-£5.00 medium £4.40-£5.30, best small £3.50-£4.40; Skinned dogfish (large) £7.00-£8.00, (medium) £4.00-£6.50; Lemon soles (large) £8.50, (medium) £7.50; Saithe £1.50-£2.00.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 74.0 to 78.2; Ulster hindquarters 79.0 to 81.6, forequarters 55.3 to 57.0. Veal: Dutch hinds and ends 119.0 to 124.0. Lamb: English small 57.3 to 64.0, medium 58.0 to 63.0. Imported frozen—New Zealand PL 55.3 to 56.0, PM 53.8 to 54.0. Pork: English, under 100 lb 42.0 to 52.0, 100-120 lb 40.0 to 50.5, 120-160 lb 38.0 to 47.5.

MEAT COMMISSION—Average fatstock prices at representative markets on August 3. GB—Cattle 86.79p per kg lw (−0.05). UK—Sheep 134.24p per kg est dcw (+0.39). GB—Pigs 67.86p per kg lw (−1.64).

PRICE CHANGES

In tonnes unless otherwise stated.

	Aug. 3 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	....	£810/815
Free Mkt	$1215/1245	—10	$1185/155
Copper			
Cash w'bar	£983.5	+20.5	£865.5
3 mths	£1012	+22.2	£887.75
Cash Cathnde	£977.5	+19.5	£856.75
3 mths	£1002.5	+21.5	£878.75
Gold troy oz	$392	—14	$404
Lead Cash	£472.5	+15	£579
3 mths	£473.5	+11	£579.25
Nickel	£4087.3	+286.8	£3,860.50
Free mkt	275/295c	....	275/285c
Platin'mtr'y oz	£360	+13	£347
Freemkt	£217.60	....	£208.20
Quicksilver	$428/438	....	$425/430
Silver troy oz	£452.10p	—6.55	435.30p
3 mths	£467.85p	—6.00	448.00p
Tin Cash	£7940	+57.5	£6,650
3 mths	£7877.5	+105	£6,747.5
Tungsten 22.0 lb	$144.40	....	$143.64
Wolfrm 22.04lbs	$148/150	....	£149/152
Zinc Cash	£508	—14.5	£446
3 mths	£519.25	+15	£442.25
Producers	$925	....	$925
Oils			
Coconut (Phil)	$580y	—5	$567.5
Groundnut	‡	....	‡
Linseed Crude	£452	....	£452
Palm Malayan	$567.5x	+5	‡
Seeds			
Copra Philip.	$370	....	$350
Soyabean(U.S.)	$308.5	....	$291
Grains			
Barley Fut.Nov	£100.85	—0.25	£95.60
Maize	£126	....	‡
Wheat Fut.Nov	£108.10	+1.10	£99.75
No2 HardWint	£117.50	—0.75	£117
Other commodities			
Cocoa ship't *	£1217	+19	£1080
Future Dec.	£1221.5	+35	£1025.5
Coffee Ft' Nov.	£1049.5	—14	£796
Cotton A.Index	85.50c	....	86.10c
Gas Oil Sept	$299.25	—3	$288.5
Rubber (kilo)	64.75p	+0.25	59.5p
Sugar (Raw)	£226y	....	£207
Woolt'ps 64s kl.	394p kilo	+5	378p kilo

‡ Unquoted. y Aug-Sept. w July-Aug. z Aug. x Sept. † Per 76-lb flask. * Ghana cocoa. n Nominal.

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Orange—Outspan: Navels 48 5.10, 56 5.90, 72 5.85, 88 5.35, 112 4.90, 138 4.85, 150 4.40. Californian: 72/113 6.00, trays 25/50 1.80-2.40; Californian: 6.00-6.50. Lemons—Spanish: boxes 5.00-95/145 6.00-7.00; Italian: 100/120 6.00. Grapefruit—Outspan: 40 5.15, 48 4.80, 56 4.40, 64 4.10, 72 3.30. Apples—S. African: Granny Smith 6.00-6.80, Golden Delicious 6.00, Starking 4.00-6.00; Chilean: Granny Smith 3.40-3.60, Starking 4.40-5.00. Italian: Starking 3.50-4.00; New Zealand: Granny Smith 5.30-5.60, Sturmer Pippin 5.00-5.50, Dougherty 7.50-7.60. Tasmanian: Granny Smith 4.50-4.60, Sturmer Pippin 4.50, Democrat 6.00, Crofton 6.00; U.S.: Red Delicious 11.00-12.50; French: Golden Delicious 20lb 3.00. Pears—Victorian: Winter Nelis 4.00-4.60, Packham's 5.00-5.50, Josephine 5.00-5.50; Spanish: Per 20lb Williams' 3.00; French: 20lb Williams' 3.00, Dr. Guyot 28lb 3.00, 20lb trepyack 3.00. Nectarines—Italian: large trays A/C 3.00-4.20. Plums—Spanish: Roses 3/8 2.40-4.00, per lb Burbank 0.20-0.30. Greengages—French: 9-kilos 2.80; Italian: 12lb 4.50; Spanish: 11lb 3.00-3.50. Apricots—Hungarian: 13lb 2.80. Cherries—U.S.: Per lb 0.80-0.85. Grapes—Cyprus: Cardinal 11lb 3.00. Sultana 11lb 3.00-3.30. Thompson 11lb 4.40. Alphonse Lavallee 11lb 4.40; Spanish: Cardinal 11lb 3.00. Sultana 11lb 3.00-3.30. Thompson 11lb 4.40, Alphonse Lavallee 11lb 4.40; Spanish, Cardinal 11lb 2.00-2.20. Italian: Regina 2.50-2.60. Melons—Spanish: 10-kilos yellow 2.20-2.60. Water-Melons—Spanish: 15-kilos 2.00-3.00; Italian, 25-kilos 3.50-4.00. Peaches—Italian: Large trays AA/C 1.50-3.00; French: A/C 1.00-2.40. Pineapples—Ivory Coast: Each 0.40-0.90. Bananas—*Colombian: per lb 0.18-0.19. Avocados*—S. African: 12/16 4.50-5.00; Kenyan. 4.50-5.00. Tomatoes—Dutch: 13lb 3.00. Onion—Spanish: Liria 3/5 3.80-4.20; Egyptian: 3.00. Potatoes—Jersey: New, per 55lb 2.60-2.80; Cyprus: 44lb bags 5.00-5.40. Capsicums—Dutch: 5-kilos, green 2.90, red 7.00; Italian: 6-kilos, green 3.00. Aubergines—Dutch: 5lb 4.50. Cabbages—Dutch: white 5.50, red 5.50. Fennel—Dutch: per 11lb 3.40. Artichokes—French: Globe 24's 4.50-5.00. Endive—French: 12's 6.50-7.50. Blueberries—U.S.: per ½lb 1.00.

English Produce: Potatoes—Per 55lb white 2.60-3.00, red 3.00-3.50. Mushrooms—Per lb open 0.30-0.50, closed 0.60. Apples—Per lb. Bramley 0.14-0.16 Grenadier 0.12. Cauliflowers—Per 12, Lincoln 1.50-2.00. Cabbages—Per bag, Primo 20lb 1.50-1.80. Lettuce—Per 12, round 1.00-1.60, Cos 10/12 2.00. Tomatoes—Per 12lb. D 3.00, E 2.80. Radishes—Per pack of 12 x 8oz 1.50 bunches of 15 1.50. Onions—Per tray x 20 bunches, spring 2.00, 55lb 40/60mm 2.50-3.50. Celery—Per 12/24 1.30-1.80. Cucumbers—Per 10/20 1.50-1.60. Broad Beans—Per 24lb 0.05-0.10. Peas—Per 20lb, net 1.80-2.20, per 40lb 3.60-4.50. Carrots—Per 26/28lb 1.50-2.50. Strawberries—Per ½lb 0.60-0.80. Raspberries—Per ½lb 0.30-0.40.

AMERICAN MARKETS

NEW YORK, August 3.

SHARPLY HIGHER interest rates as well as expectations of rates continuing high exerted a negative influence on most markets, including precious metals, copper the livestock complex, grains and soyabeans, cotton, heating oil and all tropical commodities. The livestock complex may show the best resilience to withstand the advancing interest rates, reports Heinold.

Copper—Aug 81.95 (82.50). Sept 83.10-83.20 (83.75). Oct 84.55. Dec 87.10-87.20. Jan 88.25. March 90.60-90.70. May 92.90. July 95.10. Sept 97.30. Dec 100.45. Jan 101.50. March 103.60. May 105.70.

*Gold—Aug 388.1-389.5 (403.5). Sept 392.4 (407.9). Oct 396.0-397.5. Dec 406.1-407.0. Feb 417.0-418.5. April 427.1. June 437.6. Aug 448.1. Oct 458.8. Dec 469.5. Feb 480.5. April 491.7. June 502.8.

*Platinum—Aug 38.0 (398.4). Sept nil (nil). Oct 389.5-389.0. Jan 404.0. April 419.0. July 435.0. Oct 451.5.

Potatoes (round whites)—Nov 75.2-75.5 (73.9). Feb 85.0-86.5 (86.5). March 90.0-90.3. April 104.9-105.1. Sales: 743.

¶Silver—Aug 826.5 (852.0). Sept 835.0-837.0 (864.0). Oct 850.0. Dec 873.5-874.0. Jan 887.8. March 914.5-915.0. May 936.6. July 961.3. Sept 986.5. Dec 1022.8. Jan 1035.1. March 1059.6. May 1084.1. Handy and Harman bullion spot: 820.00 (855.00).

Sugar—No. 11: Sept 16.20-16.25 (16.70). Oct 16.20-16.22 (16.74). Jan 16.28. March 16.48. May 16.62. July 16.79. Sept 16.93-16.95. Oct 17.04. Sales: 8,255.

Tin—655.00-660.00 (655.00-675.00).

CHICAGO, August 3.

Lard—Chicago loose 22.25 (same).

Live Cattle—Aug 67.32-67.25 (66.97). Oct 64.90-64.85 (64.97). Dec 65.45-65.25. Feb 65.30-65.40. April 66.00. June 66.75. Aug 66.55.

Live Hogs—Aug 50.00-49.95 (50.37). Oct 48.60-49.00 (49.35). Dec 52.40-52.60. Feb 54.40-54.30. April 53.20. June 58.05. July 55.50. Aug 55.30. Oct 52.95.

‡‡Maize—Sept 334¼-334½ (339¼). Dec 342½-342 (346). March 357-357¼. May 365½-365¾. July 375¾-376. Sept 381½.

Pork Bellies—Aug 48.40-48.25 (47.47). Feb 64.10-63.90 (64.17). March 64.40-64.52. May 65.60. July 66.50. Aug 65.15.

†Soyabeans—Aug 714½-715½ (725½). Sept 721-720½ (739¼). Nov 740½-739½. Jan 759½-760. March 782-783. May 800. July 816. Aug 820.

‖Soyabean Meal—Aug 206.3-206.7 (210.0). Sept 207.0-206.8 (210.2). Oct 208.5-209.0. Dec 214.5-214.7. Jan 216.0. March 223.5-224.5. May 228.0-228.5. July 231.0. Aug 232.5.

Soyabean Oil—Aug 21.93-21.95 (22.52). Sept 22.35-22.32 (23.03). Oct 22.60-22.93. Dec 23.60-23.55. Jan 24.05-23.95. March 24.60. May 25.40-25.45. July 25.90-25.95. Aug 25.95-25.99.

†Wheat—Sept 404½-405 (407½). Dec 425¼-425 (437½). March 452¾-453. May 475. July 485.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

EUROPEAN MARKETS

Maize (U.S. $ per tonne)—U.S. No. Three Corn Yellow, afloat 153, Aug 152.50, Sept 153, Oct 154, Nov 156, Dec 160, Jan/March 165 sellers.

ROTTERDAM, Aug 3.

Wheat—(U.S. $ per tonne) U.S. Two Dark Hard Winter 13.5 per cent, Aug 202, Sept 204, Oct 208. U.S. No Two Red Winter, Aug 160, Sept 163. U.S. No. Three Amber Durum, Aug 187, Sept 191, Oct 195, Nov 198. U.S. No Two Northern Spring 14 per cent, Aug 191.50, Sept 191, Oct 195, Nov 201. Canadian Western Red Spring July 25/Aug 20 238.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gullports Aug 301.50, Sept 298, Oct 296, Nov 296.50, Dec 296.50, Jan 302, Feb 312.75, March 317.50, April 321, May 323 sellers.

Soyameal (U.S. $ per tonne): 44 per cent protein, afloat 252.50, Aug 252.50, Sept 254.50, Oct 256, Nov/March 268. Brazil Pellets 257, Sept 259.50, Oct 264.50, Nov/March 282.

PARIS, August 3.

Cocoa—(FFr per 100 kilos): Sept 1240/1259, Dec 1316/1326, Mar 1335/1345, May 1340 bid, July 1350 bid, Sept 1360 bid, Dec 1375 bid. Sales at call: five.

Sugar—(FFr per tonne): Oct 2437/2440, Nov 2427/245, Dec 2360/2370, Mar 2440/2450, May 2475/2500, July 2490/2520, Aug 2515/1550, Oct 2535/2575. Sales at call: 20.

INDICES

FINANCIAL TIMES

July 31	July 30	Month ago	Year ago
275.81	275.87	250.22	274.80

(Base: July 1, 1952=100).

MOODY'S

July 31	July 30	Month ago	Year ago
1075.2	1070.5	1058.6	1217.4

(December 31, 1931=100)

DOW JONES

Dow Jones	July 31	July 30	Month ago	Year ago
Spot	387.95	388.24	372.00	441.97
Fut'rs	396.56	395.12	374.31	448.29

(Average 1924-25-26=100)

REUTERS

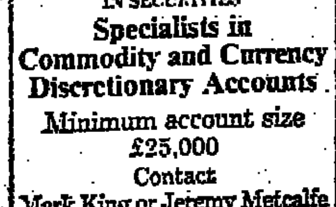
Aug. 3	July 31	M'nth ago	Year ago
1764.1	1750.0	1777.6	1717.5

(Base: September 18, 1931=100)

Coffee loss could be higher

RIO DE JANEIRO — Frost losses from the Brazilian 1982-83 coffee crop could be slightly higher than the 45 per cent estimated by the Brazilian Coffee Institute (IBC) president earlier this week, an IBC spokesman said.

Reports received by the IBC up until now point to a loss which could reach 50 per cent of the 1982-83 crop, he said. Reuter



LONDON STOCK EXCHANGE

Gilt-edged weaken in face of fresh reaction in pound and equity leaders fail to hold early improvement

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
July 27	Aug 6	Aug 7	Aug 17
Aug 10	Aug 26	Aug 27	Sept 7
Aug 28	Sept 10	Sept 11	Sept 21

* "New-time" dealings may take place from 9.30 am two business days earlier.

Fresh weakness in sterling following last Friday's late setback against the dollar quickly reversed the recent recovery movement in Gilt-edged securities and took the shine off an otherwise relatively firm showing in the equity sectors.

Sentiment in Gilts was also affected by fears about upward pressures on short-term domestic interest rates following the ending of the Civil Service strike and the prospect of heavy calls on money to meet unpaid taxes. Selling pressure was by no means heavy, but the market backed away from offerings in the prevailing thin conditions. Quotations at the long end of the list recorded falls of a point, while short-dated stocks closed with losses to ⅜. The Government securities index lost 0.63 to 63.85 which is 0.73 above last month's 4½-year low.

Investment interest in equities was at a minimum with the peak period of the summer holidays in full swing. Most leading industrials started the day with minor gains, but the underlying tone gradually began to deteriorate in face of the reaction in Gilt-edged. This was well illustrated by the FT 30-share index, which touched its best of the day at noon with a rise of 2.2 but fell back to close only 0.2 up on balance at 528.3.

Weekend Press tips stimulated occasional buying interest and bid situations, both rumoured and actual, again enlivened the proceedings. Of the more noteworthy movements, STC fell sharply in the Electrical sector following the interim profits setback and accompanying statement on the trading outlook. Grindlays, in contrast, moved higher on revived bid talk, while the remainder of the Bank sector held reasonably steady awaiting Thursday's interim report from Barclays.

Business in Traded options was extremely slow, only 713 deals being arranged, the majority of which were struck in three stocks. **RTZ**, the subject of much speculative activity recently, attracted 138 calls, while **P & O** recorded 116 calls, 88 of which were taken out in the November 130's. **BP** again held the limelight in puts, being dealt 101 times, mainly in the January 300's.

Grindlays below best

A resurgence of speculative buying on bid hopes helped **Grindlays** rise 12 to 240p, after 242p, and feature an otherwise quietly firm banking sector. Further consideration of the interim figures prompted an improvement of 5 to 338p in **Midland**, while the other major clearing banks recorded similar gains. Down 15 last week on disappointment with the half-year results, **NatWest** picked up 6 at 406p. Merchant banks gained sporadic support with **Arbuthnot Latham** notable for a rise of 8 at 295p. **Hill Samuel** put on 5 at 169p as did **Schroders**, to 480p, while **Guinness Peat** appreciated 3 to 111p.

The undertone in Buildings held firm, but trade was slow and improvements rarely exceeded a few pence. Among the leaders, **Costain** rose 6 to 220p and the **Deferred** a couple of pence to 194p in response to Press comment. Secondary issues featured **Wettern Brothers**, which touched 83p before closing 5 up at 80p on the sale of Mono Group to **Marshalls (Halifax)** for £1.3m cash; Marshalls held at 98p. Occasional support lifted **Wilson (Connolly)** 4 to 150p and **Blockleys** 3 to 130p, but **Brown and Jackson** encountered selling and shed 4 to 56p.

A good market last week on the second quarter profits recovery, ICI drifted off to close 2 cheaper at 278p. Among other Chemicals, **Plysu** attracted interest and firmed 3 to a 1981 peak of 97p. **Novo Industries** "B" rose another 3 points to £97.

Leading Stores displayed a firmer bias at the outset, but lack of follow-through support saw most issues revert to Friday's closing levels. **Gussies "A"** provided an exception, adding 5 to 438p, after 440p. Secondary counters also traded quietly, although some useful gains were recorded. Press comment lifted **Fortnum and Mason** 90 to 900p in a narrow market, while renewed speculative demand aided **Owen Owen**, 9 up at 242p. Scattered support was also forthcoming for **Home Charm**, 122p, and **J. Hepworth**, 108p, both 6 dearer, the latter still responding to a broker's circular. Annual results from **Alfred Preedy** were well received and the close was 5 higher at 65p, but further consideration of the figures, announced last Friday, prompted profit-taking in **Wearwell**, 3 lower at 86p. **Polly Peck**, 343p, and **Cornell Dresses**, 165p, down 9 and 5 respectively were similarly affected.

STC slump

Standard Telephones and Cables plummeted 42 to 420p on acute disappointment with the 16 per cent interim profits contraction and accompanying gloomy statement. **Telephone Rentals** lost 17 to 383p in sympathy. Elsewhere in Electricals, **Plessey** dipped 4 to 346p; the market was apparently unimpressed by the sale of the group's hydraulics business to Sundstrand of Illinois for approximately £10m. **Thorn EMI** softened 2 to 455p and **Ferranti** 7 to 563p. **Philips' Lamps**, on the other hand, continued firmly at 480p, up 10, while **Automated Security**, in response to Press comment, rose 8 to 373p.

Secondary issues provided the main interest in Engineerings. **Whessoe** added 5 to 121p, while **Vosper** also firmed 5, to 150p, on Press comment. **G. M. Firth**, in which Mr I. H. Wasserman recently acquired a substantial stake, rose 4 to 138p. **Staveley** put on 6 to 216p and **Wolseley-Hughes** gained 5 to 247p. **Glynwed** hardened 2 to 88p ahead of tomorrow's interim figures, but **IMI** lacked support and shed 4 to 58p. **F. Pratt** declined 5 to 85p on profit-taking.

Hillards featured Food Retailers, touching 322p before closing a net 10 up at 310p on the 72 per cent increase in pre-tax profits and proposed one-for-one scrip issue. A late speculative flurry left **Clifford's Dairies A** 5 dearer at 124p, while soft drinks concern **A. G. Barr** improved 6 to 248p.

T. W. Ward good

Unsuccessful recently in its bid for Tunnel Holdings, **T. W. Ward** stood out yesterday with a rise of 13 to 136p on speculative buying fuelled by vague suggestions of a bid from RTZ. Elsewhere in miscellaneous industrials, **Copydex** found support at 42p, up 6, while **Peter Black** put on 4 to 174p as did **Hanson Trust**, to 290p. Down 80 last week following the chairman's profits warning, **Aeronautical and General** rallied 10 to 330p, after 340p, while **Unochrome** hardened a penny more to 21p to match the terms offered by Eastern Produce; **Silverthorne**, in which Unochrome holds a 78.1 per cent stake, rose 3 in sympathy to 37p. Further consideration of the results left **Watshams** 15 higher at 415p, while **J. Bibby** improved a couple of pence to 304p ahead of tomorrow's interim figures. Among Far Eastern issues, recent speculative favourite **Hong Leung Credit** attracted renewed support and jumped 80 to 395p and **Hong Leung Industrial** added 40 to 470p in sympathy. Continuing to draw strength from the good first-quarter figures, **Reed International** added 4 afresh to 271p and, elsewhere the leaders, **Boots** were fairly active and 4 better at 219p.

A Press suggestion that amusement machine companies could face increased taxes clipped 3 from **Management Agency and Music** to a 1981 low of 151p and a penny from **Associated Leisure** to 116p, while news that the company was acquiring a 55 per cent stake in Electro Protective Corporation of the U.S. for approximately £7m left **Hawley Leisure** a penny cheaper at 69p.

A touch firmer at first, Properties eased back and closed with modest losses on balance, **MEPC** finishing 3 cheaper at 235p and **Land Securities** a penny off at 325p. Sellers gained the upper hand in **Slough Estates**, which shed 5 to 137p, while **Haslemere Estates** eased 4 to 430p and **Stock Conversion** 3 to 365p. **Law Land** lost 2 to 111p in line with successful bidders **Churchbury Estates**, which gave up 10 to 675p. Against the trend, **Regional A** put on 5 to 163p in response to the increased annual profits, while Canadian property concern **Daon Development Corporation** jumped 51 to 499p.

Oils easier

After fluctuating narrowly during the "house" session, Oils drifted off later and closed with modest losses. **British Petroleum** ended 2 cheaper at 318p and **Shell** 4 off at 390p. **Lasmo**, 575p, and **Sovereign**, 365p, shed 10 apiece, while **Tricentrol** eased 2 to 280p. **KCA** gave up 5 to 157p and **KCA Drilling** 3 to 72p.

Investment Trusts were featured by **Gresham House** which advanced 20 to 310p following favourable comment. In Financials, **Mercantile House** were actively traded and closed 25 to the good at 465p ex-the rights and scrip issues; the new nil-paid were also in demand and quickly rose to 131p premium from the opening premium of 98p.

Golds weaker

Movements in Textiles were restricted to a couple of pence either way. Call option activity continued to benefit **Carpets International**, 2½ better for a two-day gain of 4½ at 33½p. **Illingworth Morris**, also the subject of option business, added 2 to 19p, with the "A" closing a penny up at 13p.

Bats came in for further useful support during the morning session and touched a 1981 peak of 390p before reverting to Friday's close of 385p.

Mining shares were generally quiet yesterday. Golds were marked down at the outset in line with the sharp fall in the bullion price, finally $14 lower at $392 an ounce, its lowest level since November 1979.

The Gold Mines index gave up 4.5 to 319.6, but little business developed in the shares and prices were not under any pressure.

Free State Geduld were the weakest of the heavyweights, with a fall of ⅞ to £18½, while declines of ¼ were common to **Randfontein Estates**, £22, **Driefontein**, £13½, **Hartebeest**, £26¾, **Southvaal**, £15⅝, **Vaal Reefs**, £32⅞, and **St. Helena** £16¾.

ERPM lost 29 to 551p among the lower-priced issues, while **Venterspost**, 440p, **Zandpan**, 468p, and **Blyvoor**, 647p, all closed 15 down.

South African Financials were mostly lower where changed, as in **Gold Fields of South Africa**, down ½ to £38⅞, and **Amgold** ⅛ lower at £42½. **Anglo-Vaal** were an exception, putting on a point to £20. In Diamonds, **Anamint** lost ¼ to £44½, while **De Beers** closed 3 off at 381p.

Transvaal Consolidated Land did well among the Coal stocks, with a rise of ½ to £23½. Elsewhere, Canadian interest lifted **Patino** ¾ to £24⅞.

London Financials lost a little ground, with **Consolidated Gold Fields** giving up 7 to 468p and **Tanks** a like amount cheaper at 320p. **Rio Tinto-Zinc**, a strong market of late, lost 5 to 560p, while **Charter Consolidated** gave up 3 to 240p.

In generally quiet Tins, **Tanjong** moved to a new low for the year of 105p after a fall of 10.

Australians held steady, with **CRA** 7 to the good at 253p and **Pancontinental** 5 better at 370p.

FINANCIAL TIMES STOCK INDICES

	Aug. 3	July 31	July 30	July 28	July 27	July 24	A year ago
Government Secs.	63.85	64.48	64.21	64.45	64.86	64.16	70.24
Fixed Interest	66.15	66.24	66.31	66.33	66.37	65.93	72.00
Industrial Ord.	528.3	528.1	525.9	525.3	528.5	520.2	463.4
Gold Mines	319.6	324.1	314.4	316.7	319.3	322.3	374.4
Ord. Div. Yield	5.98	5.98	6.00	6.01	5.99	6.08	7.52
Earnings, Yld. %(full)	10.96	10.96	11.50	11.53	11.48	11.66	18.02
P/E Ratio (net) (*)	11.58	11.58	10.90	10.88	10.93	10.76	6.69
Total bargains	14,990	14,651	14,030	17,141	17,457	17,144	17,819
Equity turnover £m.	—	78.03	78.44	86.83	101.37	101.27	75.59
Equity bargains	—	9,916	10,041	12,671	12,754	12,063	12,214

10 am 530.1, 11 am 529.8, Noon 530.3, 1 pm 530.1, 2 pm 529.8, 3 pm 528.9.

Latest Index 01-246 8026.

*Nil = 10.62.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/5)	63.12 (21/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/5)	65.56 (21/7)	150.4 (28/11/47)	50.53 (3/1/75)
Ind.Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	481.1 (6/1)	262.6 (29/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	July 31	July 30
—Daily		
Gilt Edged Bargains	135.7	147.6
Equities Bargains	64.2	65.1
Value	157.7	156.5
5-day Avrge.		
Gilt-Edged Bargains	151.1	157.6
Equities Bargains	74.4	80.6
Value	179.9	224.6

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (58)

AMERICANS (11)
BANKS (1)
BEERS (1)
BUILDINGS (2)
CHEMICALS (1)
DRAPERY AND STORES (1)
ELECTRICALS (4)
ENGINEERING (3)
FOODS (4)
HOTELS (1)
INDUSTRIALS (16)
INSURANCE (2)
LEISURE (1)
MOTORS (1)
PAPER (1)
TEXTILES (1)
TOBACCOS (1)
TRUSTS (6)

NEW LOWS (21)

BRITISH FUNDS (4)
Treasury 14pc 1982 Treasury 14pc 1994
Treasury 8¼pc '84-86 Treasury 8¼pc 1997
FOREIGN BONDS (1)
Hungary '24 Ass.
CANADIANS (1)
Place Gas
BEERS (1)
Guinness
ENGINEERING (3)
Camford Jones and Shipman
Elliott (B.)
INDUSTRIALS (4)
Ben'ox Spear (J. W.)
Dobson Park "W" Ribbons
LEISURE (1)
Man. Agency. Music
MOTORS (1)
Brown Brothers
TRUSTS (1)
Lamont
OIL AND GAS (1)
Dorset Res.
OVERSEAS TRADERS (2)
Borthwick (Thomas) Inchcape
MINES (1)
Tanjong

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	—	89	4
Corpns. Dom and Foreign Bonds	13	2	54
Industrials	235	143	993
Financial and Prop.	114	41	347
Oils	27	27	42
Plantations	2	1	20
Mines	34	48	85
Others	95	16	96
Totals	520	367	1,641

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
BAT Industries	385	—	Midland Bank	338	+ 5
Boots	219	+ 4	Owen Owen	242	+ 9
De Beers Deferred	381	− 3	Plessey	346	− 4
Grindlays Bank	240	+12	Preedy (A.)	65	+ 5
Hillards	310	+10	Standard Tele.	420	−42
Mercantile House	465xa	+25	Ward (T. W.)	136	+13

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Friday's closing price pence	Day's change	Stock	No. of price changes	Friday's closing price pence	Day's change
BAT Industries	12	385	+10	Midland Bank	9	333	+ 8
RTZ	12	565	+ 7	LASMO	8	585	—
Sedgwick	10	142	+ 8	Royal Insce.	8	383	+13
Br. Home Strs.	9	144	+ 8	Sun Alliance	8	938	+28
Bula Res.	9	41	− 3	Tele. Rentals	8	400	—
GEC	9	742	+ 4	Charter Cons.	7	243	+ 8
GKN	9	142	+ 2	ICI	7	280	+ 2

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Aug. 3	Aug. 14	Nov. 5	Nov. 16
Aug. 17	Aug. 28	Nov. 19	Nov. 30
Sept. 7	Sept. 18	Dec. 3	Dec. 14

For rate indications see end of Share Information Service

Stocks favoured for the call included **Royal Bank of Scotland**, **Bula**, **BOC**, **Davy Corporation**, **Wheelock Marden**, **Associated Fisheries**, **Anvil Petroleum**, **Carpets International**, **Illingworth Morris**, **Endeavour**, **John Waddington** and **Dundonian**. Puts were taken out in **Clifford's Dairies A**, **Lorraine** and **Bracken**, while doubles were struck in **Cons. Gold Fields**, **RTZ**, **BP** and **BP new**.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Mon., Aug. 3 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri., July 31 Index No.	Thurs., July 30 Index No.	Tues., July 28 Index No.	Mon., July 27 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	348.81	−0.2	10.35	4.48	11.95	349.42	348.48	347.91	347.67	279.56
2	Building Materials (25)	303.70	+0.2	12.31	5.61	9.97	302.96	301.41	300.67	299.68	251.66
3	Contracting, Construction (28)	555.55	+0.3	17.08	5.11	6.80	553.65	553.91	553.12	552.17	420.83
4	Electricals (30)	1153.67	−0.6	7.94	2.38	15.37	1161.17	1155.41	1154.31	1156.17	799.51
5	Engineering Contractors (10)	489.73	—	12.76	5.57	9.36	489.54	490.57	492.56	492.37	336.90
6	Mechanical Engineering (69)	201.73	−0.1	12.97	5.90	9.75	201.91	201.75	201.69	201.79	181.25
8	Metals and Metal Forming (13)	152.77	−1.1	10.41	7.78	12.60	154.42	154.02	150.98	150.72	169.49
9	Motors (21)	97.88	+0.4	1.74	7.13	—	97.49	97.21	97.47	97.41	105.02
10	Other Industrial Materials (18)	372.63	+0.7	9.79	5.38	12.24	370.03	370.77	370.77	368.35	0.00
21	CONSUMER GROUP (195)	278.46	+0.2	12.37	5.75	9.98	277.91	276.59	275.60	276.65	234.14
22	Brewers and Distillers (20)	301.23	−0.5	14.78	6.40	8.11	302.89	302.75	300.28	303.38	283.06
25	Food Manufacturing (21)	257.08	+0.3	15.01	6.48	8.03	256.43	255.43	256.18	255.80	212.74
26	Food Retailing (14)	532.19	+0.1	9.24	3.34	12.89	531.63	530.44	526.95	529.03	352.58
27	Health and Household Products (7)	337.25	+0.4	8.17	4.35	14.59	336.06	334.97	332.34	334.02	223.65
29	Leisure (22)	443.46	−0.4	9.71	4.74	12.72	445.05	443.06	439.92	442.19	332.00
32	Newspapers, Publishing (12)	437.37	+0.3	12.77	6.14	11.14	435.98	436.32	436.95	437.22	435.06
33	Packaging and Paper (13)	146.72	+0.9	14.32	7.22	8.30	145.36	145.58	144.40	141.05	132.57
34	Stores (44)	256.30	+0.8	11.35	5.21	11.73	254.19	253.02	253.18	255.09	229.71
35	Textiles (23)	158.06	−0.3	7.47	5.78	19.19	158.59	158.58	159.92	159.22	124.66
36	Tobaccos (3)	265.89	+0.1	19.11	9.39	6.13	265.71	257.61	254.65	255.53	222.89
39	Other Consumer (16)	287.99	—	4.54	6.48	53.17	288.05	290.89	290.43	291.15	0.00
41	OTHER GROUPS (79)	227.67	—	10.27	6.28	12.67	227.74	227.33	224.57	224.06	225.02
42	Chemicals (15)	282.66	−0.3	4.81	6.42	39.90	283.52	282.67	275.91	275.92	312.63
44	Office Equipment (6)	111.29	−1.6	14.84	7.38	8.12	113.05	112.54	111.76	110.69	108.01
45	Shipping and Transport (13)	549.76	+0.6	16.06	6.91	7.31	546.27	548.65	550.73	550.37	538.69
46	Miscellaneous (45)	299.22	+0.4	13.09	5.63	9.38	298.01	297.41	295.57	294.52	284.99
49	INDUSTRIAL GROUP (488)	295.40	—	11.34	5.34	10.95	295.32	294.25	293.10	293.50	250.63
51	Oils (12)	746.16	−0.8	22.49	7.70	4.95	752.19	752.22	750.39	747.77	771.27
59	500 SHARE INDEX	331.84	−0.1	13.32	5.76	9.00	332.24	331.26	330.05	330.21	292.01
61	FINANCIAL GROUP (118)	268.15	+0.3	—	5.50	—	267.36	264.08	265.82	268.10	228.66
62	Banks (6)	276.55	+1.0	32.59	6.66	3.62	273.71	270.57	273.74	281.89	223.93
63	Discount Houses (10)	267.73	+0.1	—	8.42	—	267.59	268.36	267.22	265.98	291.60
64	Hire Purchase (3)	253.40	+0.6	12.08	7.17	11.45	251.92	247.21	248.69	238.86	243.98
65	Insurance (Life) (10)	271.39	+0.4	—	5.57	—	270.28	268.55	268.51	269.45	227.75
66	Insurance (Composite) (9)	178.44	+0.1	—	7.14	—	178.20	173.92	176.74	176.27	153.78
67	Insurance Brokers (8)	409.01	+0.2	10.91	5.67	12.44	408.16	396.48	402.36	406.81	333.69
68	Merchant Banks (13)	169.58	—	—	5.01	—	169.52	168.79	168.68	168.61	139.54
69	Property (49)	481.16	−0.5	3.90	2.91	35.12	483.41	479.98	479.24	481.62	440.33
70	Miscellaneous (10)	183.26	+1.4	17.54	5.79	6.94	180.59	180.65	180.66	181.09	140.34
71	Investment Trusts (109)	312.06	+0.4	—	5.08	—	310.94	310.06	310.91	308.70	257.14
81	Mining Finance (3)	260.21	−1.1	13.53	5.25	8.71	263.18	259.54	254.93	253.55	239.55
91	Overseas Traders (20)	427.11	+0.1	11.09	6.97	11.55	426.53	426.15	425.87	426.33	417.65
99	ALL-SHARE INDEX (750)	319.30	—	—	5.68	—	319.42	317.83	317.31	317.74	279.23

FIXED INTEREST

	PRICE INDICES	Mon., Aug. 3	Day's change %	Fri., July 31	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	106.43	−0.37	106.83	—	6.24
2	5-15 years	102.36	−0.85	103.24	—	7.89
3	Over 15 years	104.36	−0.93	105.34	—	8.29
4	Irredeemables	114.30	−0.75	115.16	—	7.43
5	All Stocks	104.06	−0.71	104.81	—	7.39
6	Debentures & Loans	81.26	−0.35	81.55	—	6.27
7	Preference	62.04	+0.22	61.90	—	3.94

	AVERAGE GROSS REDEMPTION YIELDS		Mon., Aug. 3	Fri., July 31	Year ago (approx.)
	British Government				
1	Low	5 years	12.83	12.52	11.83
2	Coupons	15 years	13.33	13.21	11.74
3		25 years	13.53	13.43	11.74
4	Medium	5 years	14.96	14.78	13.25
5	Coupons	15 years	15.34	15.17	13.09
6		25 years	14.89	14.73	12.95
7	High	5 years	14.91	14.75	13.52
8	Coupons	15 years	15.53	15.37	13.42
9		25 years	15.13	14.98	13.19
10	Irredeemables†		13.03	12.92	11.26
11	Debs & Loans	5 years	15.91	15.79	13.66
12		15 years	15.97	15.91	13.58
13		25 years	16.03	16.00	13.49
14	Preference†		16.18	16.13	14.13

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

RECENT ISSUES

EQUITIES

Issue price p:	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p:	+ or −	Div. p. or amount	Times covered	Gross yield	P.E. ratio
[illegible]											

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue price p:	Amount paid up	Latest Renunc. date	1981 High	1981 Low	Stock	Closing price p:	+ or −
[illegible]							

[illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Clive Investments (Jersey) Ltd.
P.O. Box 86, St. Peter Port, Guernsey. 0481 26521
C. H. Gilt Growth Fd.* 9.34 9.75 ... 3.59
Clive Gilt Fd. (C.I.) 8.22 8.58 ... 15.38
*Prices on July 30. Next dealing Aug. 6.

Cornhill Ins. (Guernsey) Ltd.
P.O. Box 157, St. Peter Port, Guernsey
Intnl. Man. Fd. 252.0 274.8 ... —

Cortexa International
10a, Boulevard Royal, Luxembourg.
Cortexa Intnl. $US31.74 ... +0.75 —

[illegible]

Hill Samuel Investment Mgmt. Intnl.

[illegible]

Rothschild Asset Management (C.I.)

[illegible]

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPERS, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♀ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ◊ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- || No par value.

♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ♀♀ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. L Dividend and yield based on prospectus or other official estimates for 1980. M Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

IRISH

[illegible]

OPTIONS

3-month Call Rates

[illegible]

Babcock	15	Ladbroke	20	Property	
Barclays Bank	25	Legal & Gen.	20	Brit. Land	8
Beecham	18	Lex Service	10	Cap. Counties	11
Blue Circle	25	Lloyds Bank	[illegible]	Land Secs.	37
Boots	20	"Lots"	[illegible]	MEPC	20
Bowaters	25	London Brick	7	Peachey	15
Brit. Aerospace	27	Lucas Inds.	[illegible]	Samuel Props.	13
B.A.T.	25	"Mams"	[illegible]	Town & City	[illegible]
Brown (J.)	9	Mks. & Spncr.	11		
Burton Ord.	16	Midland Bank	25	Oils	
Cadburys	7½	N.E.I.	[illegible]	Brit. Petroleum	33
Courtaulds	7	Nat. West. Bank	32	Burmah Oil	16
Debenhams	10	P & O Dfd.	[illegible]	Charterhall	6
Distillers	17	Plessey	[illegible]	KCA	22
Dunlop	[illegible]	Racal Elect.	34	Premier	7½
Eagle Star	25	R.H.M.	5	Shell	32
F.N.F.C.	3	Rank Org. Ord.	[illegible]	Tricentrol	30
Gen. Accident	30	Reed Intnl.	25	Ultramar	44
Gen. Electric	63	Sears	5		
Glaxo	[illegible]	Tesco	[illegible]	Mines	
Grand Met.	[illegible]	Thorn EMI	30	Charter Cons.	21
G.U.S. 'A'	[illegible]	Trust Houses	25	Cons. Gold	45
Guardian	[illegible]	Tube Invest.	[illegible]	Lonrho	9
G.K.N.	[illegible]	Turner & Newall	18	Rio T. Zinc	45
Hawker Sidd.	25	Unilever	50		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 28

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Tuesday August 4 1981

Renewable sources of energy promoted

BY RAY DAFTER, ENERGY EDITOR

RENEWABLE SOURCES of energy, which could include taking power from the sun, wind and tides, could provide the UK with the equivalent of 40m tonnes of coal annually early next century, according to a Government report.

At current prices the annual value of this fuel and electricity would be about £1.5bn. The output would equate with about 12 per cent of the UK's current total energy consumption.

Tidal power from a barrage built across the Severn Estuary is seen as the renewable energy source most likely to contribute a significant amount of electricity.

The eight-page report was prepared for the United Nations conference on new and renewable sources of energy, to be held in Kenya this month. It indicates the barrage could provide the equivalent of 10m tonnes of coal a year.

The Energy Department says a pre-feasibility study of a barrage (expected to cost £5.6bn at current prices) suggests that electricity could be produced at a cost close to the output of a coal-fired station.

A barrage project also had the advantage of supplying constant power, unlike some other renewable energy forms such as wind, waves and the sun.

The report to the UN reinforces the recently published conclusions of the Government-sponsored Severn Barrage Committee which found that such a project would be technically feasible and might become an economic proposition.

Mr David Howell, Energy Secretary, intends to allow several months of public debate before deciding on a proposed £20m detailed study into the barrage scheme.

In its submission to the Kenya conference the Department says each of the main energy options being considered in the UK is technically feasible. In some cases, such as wave and wind power, detailed design studies by UK consulting and manufacturing companies had shown that appropriate systems could be built and made to work. To a large extent the main obstacle to their exploitation was economic.

Biomass (the conversion of plants or waste into fuels), geothermal energy (utilising heat in hot rocks), solar energy, and wind power were seen as the other main sources of renewable energy in the UK early in the 21st century.

The contribution of wave power was expected to be "probably small" although the Energy Department was still continuing to fund studies. The Department has just commissioned a comprehensive report on wave-energy prospects from Rendel, Palmer and Tritton, consulting engineers.

The report will include an assessment of the feasibility and costs of developing and building a 2,000 Mw power-station based on different designs of wave-energy converters.

Renewable energy sources in the UK, Department of Energy, London.

U.K. ALTERNATIVE ENERGY RESOURCES

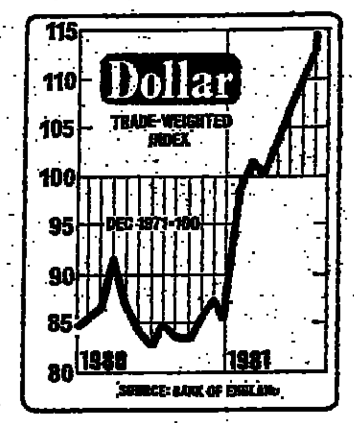
Sources	Form of supply most readily available	Judgment of contribution that may be in use in the UK early next century (million tonnes of coal equivalent per annum)	State of development
Geothermal aquifers	Low temperature heat (< 100°C)	5	Resource assessment and early trials.
Geothermal hot, dry rock	Medium temperature heat (up to ~ 250°C) electricity generation	Small	Research phase.
Solar	Low temperature heat (< 100°C)	5	Commercially available for water heating. Space-heating systems now coming onto market.
Biomass (vegetable and waste material)	Fuels (solids or gases) convertible to heat by combustion	6	In commercial use for combustion of wastes; development required for wider use for production of solids, gases and liquids.
	Fuels (liquid) for transport	6	Research phase.
Wind	Electrical	5	Detailed designs of horizontal axis 3-4 MW machine moving into construction phase. Early designs of vertical axis machines being made. Studies of off-shore resource prospects in hand.
Wave	Electrical	Probably small	Programme focusses on two designs. Problem is whether costs can be brought below 5 pence/kWh.
Tidal	Electrical	10	A pre-feasibility study of Severn Estuary suggests a barrage might produce electricity costing not much more than that of a coal-fired station.
Hydro	Electrical	3 (already 2)	Well proven technology both at home and abroad.

THE LEX COLUMN

A crossed line for STC

As long as the Federal Reserve is pursuing a tight monetary policy, anything that increases the conflict between its aims and the stance of U.S. fiscal policy is likely to keep dollar interest rates high and push the dollar up. Big tax cuts certainly come into this category, and this powerful new Reagan effect, superimposed on the generally sad look of the world's other major currencies, kept the dollar in strong demand yesterday. Sterling slipped back below $1.80 at one stage, and gilt-edged yields are nudging back above 15¼ per cent on some medium-dated issues.

Index rose 0.2 to 528.3



STC

High flyers are not allowed to make mistakes, and lower pre-tax profits from Standard Telephones and Cables—£19.1m in the six months to June, compared with £22.8m a year earlier—sent the shares tumbling from 462p to 420p yesterday. To concentrate on the pre-tax figure is a little unfair, since STC has taken £8.8m of redundancy costs above the line (offset in part by £2.3m of retrospective price adjustments). Trading margins are actually slightly higher, and the interim dividend has been raised by 12½ per cent.

Overall sales are up by less than 2 per cent, though, and on the components and distributors side there is a 14 per cent fall, and an even more severe decline in profits. Earnings from equipment supplies to British Telecom are roughly unchanged, since price rises have been only modest, and but for a good performance in STC's international interests, including submarine cables, there would have been a fair downturn at the trading level.

STC sounds a cautious note for the rest of 1981, but the higher dividend suggests a reasonable degree of confidence for the next couple of years, and in particular about the order prospects of the TXE4 and TXE4A telephone exchanges. Even with a slight fall in historic cost profits this year, the lower inflation in the business should mean that a higher dividend is comfortably covered by current cost earnings.

But investors who have chased STC shares up in a very thin market—only 15m shares are held by the public—are now learning from the rapid fall in the share price that bad marketability makes for volatile price movements in both directions. And the figures are a reminder that even in the glamorous telecoms business, earnings growth is not automatic; the shares now yield 3.6 per cent, a point more than the 2006 index-linked gilt.

Building Societies

Building societies are now entering the wholesale money markets thick and fast. The main motive is to open up another source of finance at a time when the Government, in the shape of National Savings, is making a determined and successful effort to tap the personal saver. Wholesale money may be expensive, but collection costs are negligible and it is currently probably much the same price as some of the retail funds raised in the form of term shares. Moreover, the extra glitter provided to retail money by the application of the consolidated tax rate has faded considerably in the last couple of years, as the rate has been pushed up.

There are signs that the cost of this marginal money is not the prime consideration to the building societies at this stage. The motive of Nationwide, which last week pioneered a negotiable bond, was to introduce itself and encourage a healthy secondary market in its paper for the short term. Reliable access to alternative finance will allow room for a reduction in liquidity ratios.

Meanwhile, recourse to the wholesale markets is stepping up the pressure on margins. Already last year the average margin between income and expenditure was the narrowest since 1975, and some of the smaller societies are now desperate to reverse the trend. But with the banks providing real competition in house loans for the first time, the larger societies are resisting. The acceptability of the bigger societies' names in the wholesale market increases the polarisation between large and small in the movement and is likely to put further pressure on an already shaky cartel.

There could be wide-ranging repercussions through markets as housing finance comes out of the ghetto. In particular the introduction of building society paper as competition to local authority yearling bonds and, possibly, in the form of certificates of deposit could bid up rates in these sectors. There may also be an effect—albeit cosmetic—on the run of sterling M3 figures. Both competition from banks in housing finance, and building society CDs bought by banks could swell the totals artificially, posing another embarrassing problem of presentation for the monetary authorities.

Salomon Brothers

The acquisition of Salomon Brothers by Phibro, the commodities firm, must be a source of some relief to Salomon's partners despite the record earnings achieved by the firm in the first 10 months of its current year. Highly volatile interest rates and a squeeze on underwriting commissions, particularly in the euromarkets, have made life a little difficult for bond specialists such as Salomon.

Yet the deal with Phibro suggests that Salomon still sees itself principally as a trader. Unlike the proposed arrangement between American Express and Shearson Loeb Rhoades, which would produce an impressive range of financial services, Salomon's emphasis is on extending its range of financial instruments.

It remains determinedly outside the retail market and the link with Phibro will do little to help its investment banking activities directly. But the scope for diversifying rapidly its banking activities has been greatly enhanced by Phibro's capital base and the access to outside capital of a quoted company. Salomon could, for example, participate directly as a lender in the syndicated credit market.

Salomon Brothers may be right in foreseeing a closer relationship between the trading of physical and financial commodities. But it remains to be seen how the disciples of Salomon's Dr Henry Kaufman will warm to the prospects of the pork belly market.

Guidelines on credit for aircraft agreed

By Reginald Dale, U.S. Editor, in Washington

THE U.S., Britain, West Germany and France have agreed new guidelines for financing exports of some commercial jet aircraft in a bid to end an export credit war, the U.S. Export-Import Bank announced yesterday.

The European aircraft involved is the Airbus built by the Airbus Industrie consortium. The bank called the agreement "a major breakthrough in our continuing effort to limit export subsidisation."

Mr Wiliam Draper, the bank's president, said the four countries had agreed to raise interest rates on credits to buyers elsewhere of particular competing aircraft to a minimum of 12 per cent. It is the first time a minimum rate has ever been agreed for aircraft.

The move would put U.S. aircraft competing with the European Airbus on an equal footing, Mr Draper said. "We now have a chance to fight on fair terms," he added.

The American aircraft to which the minimum rate will apply are the McDonnell-Douglas DC-9-80 and DC 10-10, the Lockheed Tri-Star L 1011-100 and L 1011-200, and the Boeing 757 and 767. In the American case there will also be a one-time application fee for Eximbank credit of 2 per cent—a fee that does not exist in Europe.

As part of the deal, the U.S. agreed not to go beyond 10 years in credit for aircraft sales, until September next year. Mr Draper said it was understood that if the U.S. breached this provision the whole agreement was off.

The U.S. will use the period until September 1982 to try to persuade the other countries to increase the maximum length of credits to 15 years.

Our World Trade Editor adds: Yesterday's announcement reflects a compromise between the U.S. desire to extend the term of aircraft financing to 15 years and the European desire to keep the interest rates as low as possible.

The negotiations on aircraft financing have been going on for some months, paralleled by U.S. attempts to persuade the EEC and Japan to accept generally a higher level of interest rates for export credits. The wider guidelines specify minimum interest rates of 7.5-8.75 per cent, considerably lower than market rates.

The aircraft agreement is an indication that the U.S. and the major EEC countries are closing the gap between them on the wider question.

Orders mount for Boeing 767, Page 4

Rift over level of local authority cuts

BY ROBIN PAULEY

A RIFT has developed between the Environment Department and the Treasury over the level of cuts to be demanded from local government next year.

Environment Department officials privately accept local authority claims that the Treasury is asking for a cut of more than 8 per cent compared with this year's budgets. The Treasury maintains it is looking for only the 1.2 per cent cut contained in the current public expenditure white paper.

The Treasury is in the process of switching to a new system of calculating expenditure which uses cash planning and takes accountof pay and price inflation. It is therefore a calculation of the number of pounds which will have to be spent.

The previous method relied on the volumeof expenditure and counted units — the numbers of teachers school buildings, etc.—but ignored the cost of inflation.

This year's discussions on public expenditure plans are the first to involve the phasing out of the volume method. As it is a transitional year with a mixture of both systems, the Treasury has decided not to take account of real changes in pay and price levels. It will stick to the levels implied in the cash limits for last year, this year and next year.

Council leaders will tell ministers this afternoon that calculating in this way could mean them having to make cuts of £1.5bn next year or 8.1 per cent which would be impossible without a significant effect on services.

They will demand that if the Government intends to stick to these figures it should say so publicly.

The insistence on sticking to cash limit assumptions without making an adjustment later to compensate for the real inflation level if it is higher means that in addition to the 1.2 per cent planned cut there will be an extra "hidden" cut of another 2 to 3 per cent, making the Treasury's target for 1982-1983 a cut of up to 4.2 per cent.

In addition local authorities' budgets for this year already show an excess of 5.3 per cent against the Government's target and that will have to be clawed back next year.

Mr Raper back on board at St Piran

BY REG VAUGHAN

MR JIM RAPER, the Fast East financier who has been the subject of severe criticism by the City's regulatory bodies and the Department of Trade, has rejoined the board of St Piran, the controversial mining and property company currently fending off a winding-up petition in the courts.

Mr Raper's return to St Piran—4½ years after quitting as chairman—follows the acquisition of the company by Gasco Investments, his Hong Kong master company.

St Piran shares were suspended by the Stock Exchange in May 1980 after the Takeover Panel ruled that Mr Raper and associates had amassed a holding of 37 per cent in the company and should make a full bid for the company at 85p per share. In April this year, Gasco bid for St Piran—at 60p a share. Last week Gasco announced it had acquired just over 90 per cent of St Piran.

Sir Jasper Hollom, chairman of the Takeover Panel, yesterday devoted his foreword to the Panel's report and accounts to its investigation of St. Piran and Mr Raper.

"There was much in their investigation in which the executive could take pride," he said—not least that its analysis was broadly confirmed by the Department of Trade inspectors.

However, in the end; "persons who operate principally from overseas and who may not be much concerned about their reputation in the City cannot be brought against their will to observe its requirements," he said.

In a strong rebuke in June, 1980, the Panel described Mr Raper's conduct as "deplorable" and said he "is unfit to be a director of a public company."

Weather

UK TODAY

Fog on southern and western coasts with some drizzle. Sunny in the south. Some rain in the north.

London, E. Anglia, E. Midlands
Fog at first, sunny intervals, cloud later. Max. 24C (75F).

SE, SW, E, N and Central Southern England, Channel Is, Wales
Cloudy, hill fog, some rain or drizzle, clearer later. Max. 21C (70F).

Scotland, N Ireland, Borders, Lake District, Isle of Man
Cloudy with sunny intervals. Some rain or drizzle. Some hill fog. Max. 17C (63F).

Outlook: Dry warm and sunny in south. Cooler and cloudier with some rain in the north.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	27	81	L. Ang.†		—	—
Algiers	S	29	84	Luxmbg.	C	23	73
Amsdm.	S	21	70	Luxor	S	38	100
Athens	S	33	91	Madrid	C	25	77
Bahrain	S	37	99	Majorca	F	30	86
Barclna.	C	26	79	Malaga	R	23	73
Beirut	S	29	84	Malta	S	29	84
Belfast	R	14	57	M'chstr.	S	21	70
Belgrd.	S	36	97	Melbne.		—	—
Berlin	S	20	68	Mx. C.†		—	—
Biarritz	S	25	77	Miami†	F	26	79
Bmghm.	S	23	73	Milan		—	—
Blackpl.	S	20	68	Montrl.†	C	22	72
Bordx.	S	26	79	Moscow	F	25	77
Boulgn.	S	19	66	Munich	S	25	77
Bristol	F	22	72	Nairobi	C	23	73
Brussels	C	18	64	Naples	S	37	99
Budpst.	S	33	91	Nassau		—	—
Cairo	S	33	91	Nwcstl.	S	21	70
Cardiff	S	20	68	N York†	F	26	79
Cas'b'ca	S	23	73	Nice	S	29	84
Cape T.		—	—	Nicosia		—	—
Chicg.†	R	21	70	Oporto	S	27	81
Cologne	S	23	73	Oslo	F	20	68
Conhgn.	F	20	68	Paris	C	20	68
Corfu	S	35	95	Perth	C	27	81
Denver†	F	21	70	Prague	F	24	75
Dublin	C	20	68	Reykjvk.	R	13	55
Dbrvnk.	S	33	91	Rhodes	S	33	91
Ednbgh.	R	16	61	Rio J'o†		—	—
Faro	S	28	82	Rome	S	34	93
Florence	S	35	95	Salzbrg.	S	28	82
Frankft.	C	24	75	S F'cisc†	F	13	55
Funchal		—	—	S. Moritz		—	—
Geneva	S	25	77	Singapr.		—	—
Gibraltar	C	22	72	S'tiago†		—	—
Glasgow	R	15	59	Stckhm.	C	20	68
G'rnsey	C	17	63	Strasbg.	T	24	75
Helsinki	F	20	68	Sydney		—	—
H. Kong	C	25	77	Tangier	F	28	82
Innsbrk.	F	26	79	Tel Aviv	S	28	82
Invrnss.	C	17	63	Tenerife	F	20	68
I.o Man		—	—	Tokyo	F	30	86
Istanbul	S	29	84	T'ronto†	C	20	68
Jersey	C	20	68	Tunis		—	—
Jo'burg		—	—	Valencia	R	24	75
L. Plms.	C	23	73	Venice	S	29	84
Lisbon	S	29	84	Vienna	S	29	84
Locarno	S	28	82	Warsaw	C	20	68
London	S	23	73	Zurich	F	26	79

C—Cloudy. F—Fair. R—Rain. S—Sunny. T—Thunder.
† Noon GMT temperatures.

NSB offers new way to pay bills

BY TIM DICKSON

HOLDERS OF National Savings Bank (NSB) ordinary accounts will soon be able to settle bills at post offices without having to draw out cash.

The facility, called "Paybill," will start next Monday and covers telephone accounts, vehicle excise duty, television licences and other bills normally payable at post offices through National Girobank.

Under the scheme NSB ordinary account holders, who total about 14m, can fill in a form at the counter, and have their passbook debited and the money transferred in the normal way through the Girobank system.

For payments of up to a maximum of £100 a day, the customer's bank book will not be retained by the post office. If more than £30 in cash is required pass books have to be sent off for checking.

Although only a relatively minor improvement, "paybill" will be seen as a further attempt by National Savings to improve its competitiveness against other savings institutions, notably the clearing banks.

A total of £1.7bn is held in NSB ordinary accounts but there have been signs recently that this method of saving is losing popularity. In the financial year 1980-81, for example, repayments to depositors exceeded receipts by £156m.

This is believed to be due to the low rate of interest by current standards: 5 per cent, of which the first £70 is tax-free.

NSB ordinary accounts have traditionally been used by savers in rural areas who have easier access to a post office than to a bank branch.

Other bills covered by the "paybill" scheme include some electricity and gas bills, local authority rates, rents and mortgage repayments and water rates. It will cover subscriptions to organisations and associations and payments to businesses which have a National Girobank account.

Dollar

Continued from Page One

copper and zinc, with the cash price rising by £13 to £472.5 a tonne. Aluminium, nickel and tin values also moved up on the Metal Exchange, mainly reflecting the reduced value of the pound against the dollar.

Nickel and platinum producers both announced higher sterling prices, although their worldwide dollar quotations remain unchanged.

In contrast, silver prices were depressed by the fall in gold and a general lack of buying interest. The bullion market spot quotation was cut by 6.55p to 452.1p a troy ounce.

London metal traders said that while sterling was the main influence behind the increase in base metal values, market sentiment has also been strongly affected by the rise in U.S. copper, lead and zinc prices, which were lagging behind London until recently.

Lead and zinc have been boosted by a series of strikes which have cut supplies and created shortages, in spite of poor demand. It is feared copper may be hit by more trouble on the Zambian copper-belt after the arrest of union leaders there last week.

Continued from Page 1

Thatcher

economy was seriously at odds with that of other senior Ministers, he could no longer be taken as expressing the collective view.

The Shadow Chancellor pressed Mrs Thatcher to give "an unambiguous view of the Government's considered assessment of the state of the economy and of the prospects for its recovery."

Indications of edginess within the Government were immediately reinforced when it became known that the Prime Minister was considering making an immediate reply

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